American Economic History

MITCHELL AND MITCHELL

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American Economic History

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TO

THEODORA

WITH LOVE FROM

HER COAUTHORS

Contents

Foreword

Economic history forms a foundation for the study of society. Perhaps geology, geography, human biology, and aspects of anthropology would contend to be named as *the basic* field of inquiry. But those aside, economic history gives a means of understanding not only economic thought, but politics, law, literature, and even art. The story of how men have gotten a living tells much of all their relationships, habits, aspirations, and achievements. It is the core of our culture.

The connection between economic history and economic principles is intimate. Indeed, economic practice is the matrix in which economic principle is cast. Theory is no more than the analysis of experience. It is the effort to sum up the meaning of economic action. To be sure, economic thinkers are more than mere reporters of the past. They try, with the help of history, to project the future for a distance, and their forecasts and advocacies have often influenced economic behavior. But the continuing force, however modified, is in actual performance. The economic historian is mindful of both the conscious and the unconscious features of this performance. While believing that material elements are of superior importance, he makes room for the spirit as well as the flesh. The assumption that necessity has been the mother of invention does not commit him to a crass fatalism, but includes a lively appreciation of deliberate contrivance.

Economic history, being by very definition a record of changing conduct, permits us to understand how economic thought is a development. There is no such thing as a theoretical system permanently applicable. In justifying their economic actions men have constantly been tempted to appeal to rules considered to be innately valid and independent of altering circumstance. The fact is, however, that economic precepts are relative to time and place, and doctrines which are appropriate in one period may later be outmoded and be harmful if followed. The study of economic institutions shows the new in belief regularly emerging from the old in action. While experience teaches surely, it teaches slowly; there is generally a lag before fresh recommendations for policy can successfully struggle against familiar sanctions and establish themselves. And no sooner has the covering cocoon been spun than the chrysalis of new needs stirs and prepares to break forth.

Adam Smith affords only one signal illustration of the interaction of confirmed method and novel proposal. He wanted to supersede mercantilist regulation with individual economic promptings; he urged setting aside the hard and fast system of complex rules with the law of no law. What is important to understand about his creative work is that it was a candid perception of what had happened and what was every day calling louder for recognition. The accumulation of productive capital in private hands and the widening of markets offered evident prizes, social as well as individual, for the assumption of risk. Freedom was demanded instead of restraint, imagination in place of control. Adam Smith, the university professor, was familiar with the merchants of Glasgow, and saw that their ships must be free to enter every port if they were to bear the manufactures which Britain was preparing to produce and bring back the raw materials required.

But hardly had Smith's doctrine of freedom of individual activity from government control been announced, than different economic conditions in the young United States suggested a contrary course here. Alexander Hamilton and those who agreed with him observed that our immature country demanded governmental guidance and assistance if all branches of its economy were to be wisely developed. Credit must be provided and industry must be encouraged and protected unless we were to remain, to our injury, a nation of farmers, tributary to Europe. This policy, later expanded to embrace good means of transportation, was long followed here. The demonstration of its fitness to the needs of a new nation so impressed a visitor, Friedrich List, that he returned with the plan to his native Germany and applied it there with important results. Moreover, inspired partly by what he had seen in America, he erected public intervention into a regular "National System of Political Economy" which unhappily was pursued in some countries past the point where he meant it to be abandoned.

This process of change in conditions and behavior which heralds alteration in method continues, of course, in our own day. At few periods in history has economic development been so rapid, and seldom have so many novelties in policy impended. Tolerance of new proposals is not so much enjoined by intellectual freedom as it is taught by knowledge of experience.

Economic history, then, furnishes an indispensable background for the study of economic principles. The authors hope that this volume, reviewing the economic course of our own country, will have merit not only for the story which it tells, but as preparation for analysis of economic forces.

The narrative element helps dilute what later must be taken in more concentrated form, and the recital of fact removes much from the realm of conjecture and argument. Effort has been made throughout to show how politics and ideas of social ethics have been influenced by economic conduct and have in turn been reflected in changing institutions.

It is frequently forgotten that not until 1945 had as many years of our history since the Declaration of Independence unfolded, as were embraced in the period between the founding of the first permanent English settlement and 1776. When discovery and exploration are included, the earlier portion of the American story is of course much extended in time. We have tried to give adequate attention to the opening span not only for the sake of recounting events in those long years but because developments then were of formative influence on our later national life.

The authors have adverted to social history where possible in addition to relating economic history in the stricter sense. Social history is near cousin to economic history and has the advantage of supplying flesh and clothes to what might otherwise be a rather naked frame. The present book gives more notice than some to the economic history of the West and South.

We are grateful to our own teachers and to numbers among our colleagues and students for more help, in nameless important ways, than can be acknowledged except in this general word of appreciation. Our immediate thanks must go to the authorities of the Enoch Pratt Library in Baltimore, the Free Library of Philadelphia, and to the librarians of Johns Hopkins University, Occidental College, Smith College, and New York University.

B. M.
L. P. M.

New York City

Part One

DISCOVERY, EXPLORATION AND COLONIZATION

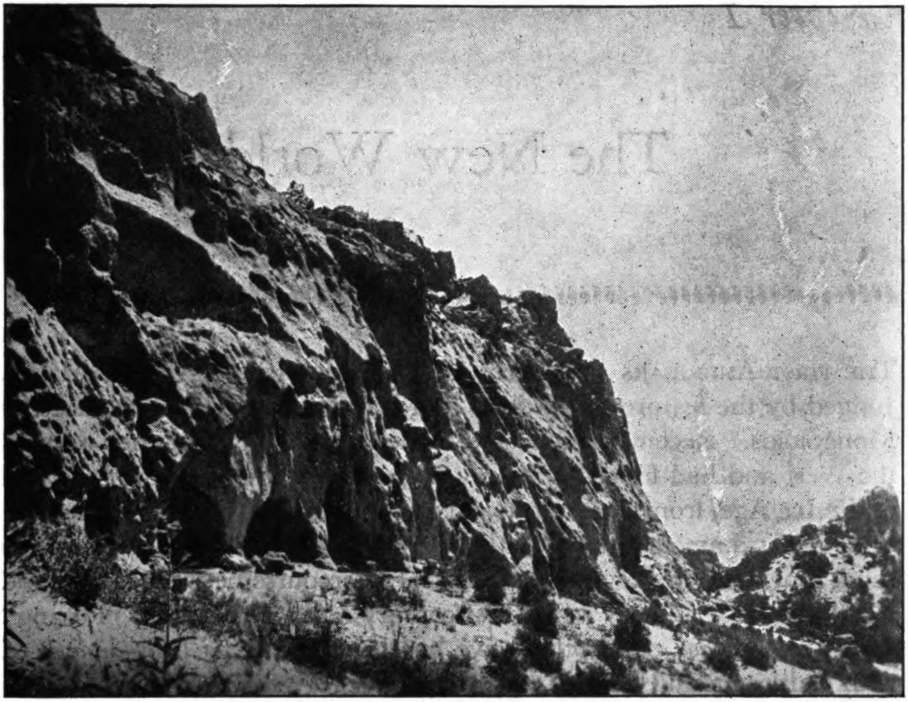
Chapter I

The New World

THE FIRST AMERICANS came here from eastern Asia by way of Alaska. Judged by the features of Eskimos and Indians, they were undoubtedly Mongoloids. Recently discovered evidence indicates that they roamed the West and had found their way down to South America at the end of the Ice Age, from fifteen to twenty-five thousand years ago. Ancient coins and ornaments found in the Puget Sound area have led some to think that there was regular commercial intercourse between China and North America as early as the first century A.D. The land of "Fusang" found in Chinese descriptions five centuries later has been identified with California and Mexico.

The Europeans who discovered America five hundred years before Columbus were Norsemen. Because their own country was overpopulated, the Vikings had long taken to raiding the coasts of England, Ireland, and France, and had penetrated to the eastern Mediterranean. When King Harald Fairhair consolidated Norway under his single rule, he outlawed the chieftains who had fought against him. Thus began the westward voyaging by way of the Faroe Islands to Iceland, settled in 874, and on to Greenland, settled about 985. Eric the Red, expelled from Iceland after a bloody feud, came upon Greenland, whose southwestern shores he explored during three years. He returned to Iceland, but finding himself in fresh trouble, "Eric set out to colonize the land which he had discovered, and which he called Greenland, because, he said, men would be more readily persuaded thither if the land had a good name." This piece of salesmanship was successful, for we are told that twenty-five ships quickly went out with settlers.

Our chief authority for these exploits is the Norse sagas. The earliest manuscript vellums date from the fourteenth century, but these folk stories of heroes had been handed down by word of mouth with remarkable fidelity. By some lucky accidents examples of the Viking vessels have been preserved, which increase our admiration of the daring of



Brown Brothers

ANCIENT CAVE DWELLINGS, NEW MEXICO

these explorers. The Gokstad ship is 101 feet over all, with an extreme breadth of 16 feet 7 inches, a displacement of thirty tons, and probably carried forty men. It was decked over at the ends only. The square sail would be of little use in going against the wind, so it was supplemented with great oars. The Norsemen of this time did not have the compass, had no way of measuring speed of their ships, and had no charts. They got some notion of latitude through rough observation of sun and stars, but had no means of knowing longitude. Their shallow ships might drift as far in a day as they sailed — perhaps seventy-five miles. Sometimes in bad weather they drove aimlessly for months, the mariners not knowing within a couple of thousand miles, east or west, where they were. Nevertheless the ships, and certainly the sailors, were astonishingly seaworthy.

One account attributes the discovery of America to Biarni Heriulfsson, who found it after many days of drifting in trying to go from Iceland to Greenland. Preferred versions, however, give priority to Leif, son of Eric the Red. The coasts which he described may have lain any-

where between Labrador and Virginia. The best guess is that Leif's Vinland, or Wineland, was Cape Cod. The sagas describe later exploratory voyages to Vinland, with particulars of unsuccessful attempts at colonization. The expedition of Thorfinn Karlsefni took cattle and household goods, and remained three winters in America. If this chronicle is correct, Snorri, son of Karlsefni and his wife Gudrid, was the first white child born in America; this would be about 1009.

These early Norse voyages to America are beyond question, though attempts to confirm them by relics and certain stone structures are most doubtful. We have abundant remains of Greenland colonies for four or five hundred years after these voyages, and evidence accumulates that Scandinavians were in the region south of the Great Lakes in the fourteenth century. Bronze axes and other implements of the pattern

Brown Brothers

LEIF ERICSON

Statue in Iceland

of this period have been found in many places. The grating of Viking keels on the shores of a strange land across the Western ocean sent no echoes through the centuries to Columbus and his fellow explorers. The mists out of which the Norsemen had sailed closed about them again, and their bold adventure was forgotten. Their achievement, while testifying to individual courage, had no social origin nor result. It was a thing apart from the stream of history. The true origin of the New World was one with the commencement of modern times, which we may define in terms of striking changes in commerce, knowledge, and ideas.

The Commercial Revolution

Columbus and his contemporaries were inspirited by the beginnings of capitalism and in turn made the largest contribution to it. We may say that the period of early capitalism extended roughly from the middle of the fourteenth century to the end of the eighteenth. This era witnessed the so-called Commercial Revolution. It was followed by a period of quicker and more widespread processes of change, continuing to our own day, and including the Industrial Revolution.

At the time of the great geographical discoveries, the frozen economy of the Middle Ages was thawing and was destined later to melt. The genius of the Middle Ages lay in routine, system, stability, exercised through custom and authority — custom of manor and guild, authority of church and government. Of course, changes took place under medieval auspices, as, for example, the mass movement of the Crusades. But on the whole, in economic life the new was not sought for, adventure did not call. The individual was lost in the inherited or assigned status of his group. The period of awakening, signalized by the Renaissance, the Protestant Reformation, and the Commercial Revolution, emphasized individual initiative, personal enterprise. To borrow a musical figure, the chorus became a background for the soloist.

Universal rule gave way to special demand, status faded out, and contract came forward. The individual no longer behaved just as was expected of him, but assumed private engagements and personal responsibility. The man stood forth from the mass. Encrusted tradition was heaved upward and broken through by enterprise. From this time on the cupidity of individuals began to take precedence over the convenience and comfort of communities. Soon the man of enterprise was bending the old habit to his new uses, for he demanded that church

and state support his designs. When he grew stronger still, he found that these powerful allies were hampering his independence, so he claimed immunity from their dictates altogether and sought to set himself up as the sole commercial and social arbiter. This later phase, which fully arrived with the Industrial Revolution, we call *laissez faire*, the rule of no rule. By this time the spirit of economic adventure and risk-taking had become very self-confident indeed and had developed the optimistic notion that the good of the whole social group would be served by complete freedom for the private profit-seeker. Restraint upon the individual through statute law or church commandment was held to be not only irksome to initiative, but infinitely dangerous to the common benefit, since it sought to interfere with "natural" laws of trade which were superior to legislative or canonical wisdom.

The Commercial Revolution was marked by a shift of the centers of trade from the Mediterranean cities to the Atlantic ports of Europe — at first from Venice to Portugal and Spain. Precious eastern commodities, such as spices, jewels, silk, dye woods, and incense, had come across Asia to Constantinople and Alexandria, thence to the Italian cities, from which they were distributed to western and northern Europe. It used to be supposed that the countries bordering the Atlantic first sought a sea route to the East because the caravans were plundered and the trade otherwise jeopardized after the conquests of the Ottoman Turks. The Seljuk Turks, during the height of their empire in the twelfth and thirteenth centuries, had been favorable to Christian merchants, but the Ottoman sultans, descendants of interlopers from the Asiatic steppes, were much more warlike and religiously intolerant. Beginning in the fourteenth century, the Ottomans expanded their dominion into the territories occupied by Serbs, Hungarians, Wallachians, Moldavians, Greeks, and Albanians — just the area through which eastern goods moved on the way to Europe. In 1428, Murad II took Salonica by storm from its Venetian garrison. Though Slavs and Magyars combined against him and the Turk had to contend with revolts in Asia, northern districts were overrun. In 1453, Mohammed II (the Conqueror) seized Constantinople, which had been threatened before. Important cities belonging to Venice were taken, and Venice was forced to pay indemnity to the Turks (1478). After 1520, Soliman vainly laid siege to Vienna, and some of the Turkish army actually went as far westward as Ratisbon in Germany.

Since these impressive military incursions into Europe by Asiatics,

who converted churches into mosques by replacing the crosses with crescents, coincided with the transfer of trade routes, historians believed that the one was the cause of the other. This conclusion, that the Portuguese felt their way around the tip of Africa and eastward and that Columbus struck boldly westward across the Atlantic to reach the Moluccas and Cathay because the Turk stood astride the familiar road, has been challenged by more recent inquiries. It has been shown that neither the northern nor the southern paths of Oriental commerce were closed or seriously interrupted in the time of Turkish conquests. If either had been true, the price of spices in western Europe would have gone up. The fact is, however, that the price of pepper actually declined in England and France between the fall of Constantinople and the voyage of Da Gama to India, the period of "the incubation of the great discoveries." If few spices came to Venice by the Levant after the beginning of the sixteenth century, it appears to have been because the Portuguese were bringing them direct from the source of supply around the Cape of Good Hope. The Portuguese trade with the East, after Da Gama opened the way, seems to have brought back half a dozen loaded ships every year. After the Turks conquered Egypt, they appear to have encouraged rather than obstructed trade through the southern routes. There is no evidence that the activities of Prince Henry the Navigator, Columbus, and Cabot were prompted by a desire to detour a barrier established by the Turks.[1]

New Wine in Old Wineskins

It is difficult, in describing the era of early capitalism, to separate cause from consequence. Perhaps the best we can say is that there were circumstances associated with changes in economic life so marked that we are compelled to think of them as forming a new epoch. For convenience we may group these changes under three heads: (1) inventions; (2) alterations in European economy, politics, and religion; (3) influences resulting from geographical discoveries.

Curiously enough, three of the inventions which contributed most to the Commercial Revolution came to Europe from that faraway land of mystery, China: the compass, printing from movable types, and gun-

[1] See the highly original contribution of Albert H. Lybyer, "The Influence of the Rise of the Ottoman Turks upon the Routes of Oriental Trade," in *Annual Report of American Historical Association*, 1914, vol. I, pp. 127–33.

powder. Europeans knew the compass as early as the twelfth century, but it was not ordinarily used by mariners until a hundred years later, partly because it had not been perfected, partly because sailors looked upon it as an engine of witchcraft and likely to bring disaster to a voyage. Navigators also had a crude astrolabe for determining the elevation of the sun at noon, thus giving them some idea of latitude. The fixing of longitude was much more uncertain, for dead reckoning was hampered by lack of the chronometer and any instrument for telling the speed of the ship. The effect of printing introduced in the fifteenth century, in encouraging the rapid spread of information and in quickening men's minds, needs no elaboration. Gunpowder helped to blow up feudalism, assisted the rise of national states, and made swifter the conquest of primitive peoples.

Among the foremost economic changes taking place in Europe which helped to produce the Commercial Revolution was the increased supply of gold and silver from Old-World sources after the middle of the fifteenth century. It has been said that money is the great economic solvent, breaking down tradition and custom, stimulating every sort of trade, altering the relations of classes in the population. For a century and a half before 1450, Europe was hard put to it for new supplies of the money metals, for the medieval workings were giving out. Every country tried to restrain export of the precious metals from its borders. Then productive mines of gold and silver were discovered in Sweden, Saxony, Bohemia, Transylvania, and the Tyrol, which were more efficiently operated than the old mines had been. The Portuguese were soon bringing back regular supplies from the well-named Gold Coast of Africa. Thus, the average yearly coinage of gold and silver by the English mint, which had drastically declined prior to the middle of the fifteenth century, was almost trebled in the fifty years thereafter. This development was enormously accelerated after 1500 by the inflow from America.

Not only currency, but credit expanded; German and other North-European bankers were added to the older Italian firms. The rise of these bankers was closely associated with the formation of national states. Rulers were almost incessantly engaged in wars. They had to support armies often composed of hired mercenaries, and to build navies, and so they abused all of the older means of filling their treasuries and eagerly committed themselves to bankers for more. The moneylenders would have been completely at the mercy of royal dishonesty, and would have lost most of what they had lent, had they not demanded

excellent collateral, profitable concessions, and monopoly privileges. The national governments were superseding local guild and town autonomy, and had important benefits to grant in return for loans. Even so, creditors of kings were regularly ruined, and new lenders were brought forward only by richer promises and gradually improved respect of governments for their obligations.

Credit forms facilitated private business. Drafts of merchants upon each other were increasingly added to currency transactions, and, since they were repeatedly endorsed, they remained long in circulation. Double-entry bookkeeping permitted the clear differentiation of fixed investment, trading capital, and profit, and helped to change business from a series of adventures into an occupation.

The sway of national authority and the improvement of means of communication widened trading areas. Occasional fairs — places where merchants met face to face — were giving way to permanently located wholesalers, with warehouses in the cities, prepared to supply goods or even to take orders in advance of production at any time. The business entity emerged, more stable than the merchant as an individual; though the "firm" came later, many were quite as willing to deal with agents as with principals. The stock company, which was the completion of this development, appeared briefly toward the end of the fifteenth century, but was not influential until afterward.

We have already spoken incidentally of some of the results of expansion of the unit of government. A dominant one, however, in its effect on economic enterprise was mercantilism. This system — or rather group of policies — meant that prosperity became the care of the centralized state. Forms and methods of enterprise had to meet with governmental approval, but, once deemed important to national strength, were encouraged and protected. National governments helped to inculcate private thrift and industry; they frequently granted bounties, premiums, and privileges, and were a most powerful ally to trade and manufacture. Government was used as the natural agency for promoting national economic power. Mercantilism sponsored and licensed capitalism.

The Protestant Reformation was another sign and cause of the end of feudalism and the beginning of the new era of capitalist enterprise. The discoverers and colonizers of whom we shall speak had a connection — though they would not have recognized it — with the religious dissenters. These reformers adapted the code of morals to the needs of the rising middle or bourgeois class. They impressed a strange paradox,

namely, that the princes of the Roman Catholic Church were the worldly ones, and that the men of affairs, who sought material gain, held the hope of spiritual progress. Increasingly, they allowed the taking of interest which had been prohibited and praised the virtues of thrift and hard work which made possible the accumulation of capital. As Herbert Heaton has said, "The later medieval writers on price and interest had let the needle's eye expand into an archway. . . ." Men of business, in the new ethical system, were "called" to the service of God quite as much as were clerics; he was a prudent steward, who, against his lord's coming, did not bury his talent in a napkin, but put it out to interest, that it might increase. The "middle station in life," which was praised to Robinson Crusoe by his father, was, by the Protestant reformers, made acceptable in the sight of God and of men. In this way the religious dissenters sanctioned private enterprise.

The spirit of enterprise and exploration, resulting in geographical discovery, produced many influences. The chief contribution of America to the quickening and expansion of European economic life was through the suddenly increased flow of the precious metals. Mainly from Mexico and Peru, in the century and a half following 1500, Spain got some eighteen thousand tons of silver and two hundred tons of gold, the total being worth, in present value, half a billion dollars. This was not the whole of the stream, for unknown amounts, to escape the heavy tax, were "bootlegged" to various countries. During this period prices rose more than three and a half times in Spain and more than two and a half times in the north of Europe, for which American metal was mainly responsible. On the other hand, the European receipt of bullion had a particular effect on America which we must keep in mind when we come to discuss colonization. In Europe it did more than anything else to create unemployment, for it broke up the familiar systems in manufacture and agriculture, especially the latter. Estates were less and less presided over by manorial lords who protected peasants in the cultivation of the land for subsistence. They passed to farmers who wanted more to sell than to consume their products. Thus, common fields were fenced in and peasants were fenced out. Many made their way to the towns, where they tried to get a living by adapting their country crafts to urban demand. But because they threatened the standards and monopoly of the guilds, they were usually repulsed. Unless they were to overburden completely the system of poor relief and burst the jails, these hordes of dispossessed furnished in themselves a pressing argument for peopling colonies across the Atlantic.

Seekers of the East Before Columbus

The Portuguese, from the time of Prince Henry the Navigator, wanted to reach the East by sailing around the tip of Africa — if indeed it had a tip — in order to link the Atlantic and Indian Oceans. The young Prince Henry, in 1418, established on the promontory of Sagres a maritime academy; here he built an observatory and drew about him geographers, mathematicians, ship designers, sailors, and all who could contribute to his work of systematically exploring the African coasts.

There was report of the circumnavigation of Africa from the east by Phoenicians two thousand years before; and in the sixth or fifth century B.C. Hanno the Carthaginian founded trading stations on the west coast of Africa. Henry sent his captains down the African coast and around that continent probably because he wanted to convert savages, find the fabled "black Christians," and open a new route for the Portuguese spice trade. Henry was too earnest a student and executive to pay attention to the fearsome conjectures that had long been current about the equatorial regions and the expanses beyond. He did not believe the world was girdled by a fiery belt which would consume ships or that a vessel, if it passed through these flaming seas, would descend a watery steep up which it could never sail again. He first set himself to rediscover and colonize the islands off Africa, the Madeiras and Canaries, which had been known in Roman times, but had not been visited again by Europeans until the fourteenth century. This took seven years of voyages. In 1435, Cape Bojador, projecting into rough seas to the south of the Canaries, was doubled by Gil Eannes, and in 1442, Antonio Goncalves went four hundred miles lower to bring back gold and Negroes from the Rio del Oro.

Henry's well-laid plans were bearing fruit, not only in discoveries, but in the beginnings of a profitable slave trade. He sent down more commanders, each one ordered to go farther than his predecessors. Fernandez rounded Cape Verde in 1445, Lancarote reached the Gambia River in 1447, Luigi Cadamosto got to the Rio Grande in 1456, Gomez to the Cape Verdes in 1460, and Piedro de Cintra to Sierra Leone in 1462. Prince Henry died in 1460, but King John II sent out Bartholomew Diaz in 1486 to make a determined attempt to round Africa. Diaz was blown far southward, turned east and met no land until, going northward, he reached the eastern coast of Africa a couple of hundred miles past the Stormy Cape (Cape of Good Hope) which he saw on his return. This success of 1487 was not conclusive until Vasco da Gama, in 1497–99,

sailed around Africa, through the Indian Ocean to Calicut in India, and returned to Portugal, his ships bringing spices, jewels, precious metals, ivory, and fine textiles. This was the beginning of the Portuguese commercial empire in the East, which offered ready riches in contrast to the uncertain prospects for gain in the western lands hit upon by Spain.

Columbus and Followers in His Wake

Columbus' voyages were the product of the age, yet we eagerly recognize his peculiar talent as the instrument of his times. The main facts of Columbus' four voyages in rediscovery of America are quickly told. They took place in 1492–93, 1493–96, 1498–1500, and 1502–04. It is commonly said, and perhaps correctly, that he sought a new route to the Indies, and believed to the last that he had found, in Hispaniola, Cuba, and Venezuela, outlying regions of Cathay, which opulent East had drawn the richest commerce of Europe for two centuries. At the same time there is evidence that Columbus looked for and somehow knew that he had found a new world. The agreement with Columbus, signed by the Spanish sovereigns in April of the year that he set out, said "Forasmuch as you, Christopher Columbus, are going by our command, with some of our ships with our subjects, to discover and acquire certain islands and mainland in the ocean," he was created admiral and viceroy and governor of new territories which he might possess in the name of the Spanish Crown. No mention was made of the Indies.

More than this, Columbus repeatedly referred to his having discovered a "New World." The expression occurs in letters to the sovereigns and those near them, in which he complains of harsh treatment for his signal accomplishment. These letters were written following his third outward voyage, in which he had coasted the mainland of South America (Venezuela), and had sent a large body of his men to take possession of the country for Ferdinand and Isabella. He had been struck with "great wonder" that the Gulf of Paria, through which he sailed for fifty leagues (two hundred miles) was fresh water. He at first rejected the explanation of the sailors that the fresh water came from rivers (mouths of the Orinoco), because he had not heard that the Ganges, Nile, or Euphrates, three rivers draining the greatest territories, carried so much water. However, his conjecture "that this is mainland" later became a settled conviction, and he located here the Earthly Paradise, "the new heaven and earth which our Lord made," of which "he made me the

messenger, and showed me where it lay." Las Casas, in his *History of the Indies*, quotes Columbus as saying:

> I believe that this is mainland, very great, which until today has not been known. . . . I have placed under the dominion of the King and Queen, our sovereigns, another world (*un otro mundo*) through which Spain, which was reckoned a poor country, has become the richest.

His ideas of cosmography differed from the accounts of accepted authorities, but he justified himself with the important reflection that he was on the spot, and that

> Neither Ptolemy nor the others who have written of the earth had any information respecting this half part of the world, which was then unknown; they established their arguments only with respect to their own hemisphere . . .

The accounts bear evidence that Columbus, while recognizing that he had found a new continental mass, always supposed it to be a part of Asia. On the other hand, the spirit of Columbus' announcements may perhaps be better trusted than the precise context. If ever there was a narrative of momentous discovery — of dawning suspicion followed by grateful, humble acceptance — it is to be found in Columbus' words concerning his "New World." [1]

The great moment of the first voyage came on the night of the seventieth day out from Palos. Increasing evidences of the nearness of land — sandpipers, "a small branch covered with berries," a cut pole — had combined with the indomitable resolve of Columbus to put down the latest and most threatening signs of mutiny in the sailors. In his log for October 11 Columbus says, writing in the third person:

> After sunset the Admiral returned to his original west course, and they went along at the rate of twelve miles an hour. The land was first seen by a sailor named Rodrigo de Triana. But the Admiral, at ten o'clock, being on the castle of the poop, saw a light, though it was so uncertain that he could not affirm it was land. He called Pero Gutierrez, a gentleman of the King's bedchamber, and said that there seemed to be a light, and that he should look at it. He did so, and saw it . . . After the Admiral had spoken he saw the light once or twice, and it was like a wax candle rising and fall-

[1] On this question see E. G. Bourne, *Spain in America*, pp. 94–98; Charles Duff, *The Truth About Columbus*, pp. 75–80. Samuel E. Morison (*Admiral of the Ocean Sea*, pp. 553–54), speaking from the fullest knowledge, is certain that Columbus considered the land mass he had found was a part of the Orient, though by the fourth voyage he was sure it was separated from China by a body of water.

> ing. . . . At two hours after midnight the land was sighted at a distance of two leagues.

While the ships were hove to, waiting for day, the moonlight shone on the white sands of a small island, which turned out to be called, in the Indian language, Guanahani, and which Columbus, in planting the banners of Spain, named San Salvador. We believe it to have been Watling Island.

The expedition visited several lesser islands, and went on to Cuba, which Columbus thought to be a part of Cipango (Japan), or Cathay (northern China), and returned eastward to Española (Haiti). Here, on Christmas night, owing to carelessness of the deck boy who was left to tend the rudder, the *Santa Maria*, the Admiral's ship, went aground. She had to be completely dismantled, and all of her supplies and goods for barter were stored, with the Indians' help, in their near-by village. This accident caused the establishment of the first colony in the New World. Columbus had only the little caravel *Nina* left, for Captain Martin Alonso Pinzon, in disobedience to the Admiral, had gone off with the *Pinta* on his own search for gold. Columbus had not room for all of the crew of the lost ship, so it was necessary for many to remain in the island when the expedition returned to Spain. Columbus had a fort, tower, and cellar constructed, to which the stores were removed, and here at "Navidad" (Christmas) early in January, 1493, he left forty-four men, among them a physician, artisans, and a gunner. He gave instructions that in his absence, they should search for gold mines and select a better site for a permanent town.

The Exaltation of Columbus

The homeward voyage was begun early in January, 1493, the *Nina* freighted with news of the discovery and specimens of products of the East found by sailing west — gold, spices, cotton, gum, aloe wood, and natives who would make tractable slaves. Columbus' words in announcing the triumph show not only the twin urges of piety and profit which were to inspire so many expeditions to America, but they also reveal an appreciation of the importance to the whole world of what had been done:

> This much is certain: . . . although others may have talked or written concerning these countries, it was all by conjecture, because no one could say that he had seen them. . . . But our Redeemer has granted this victory

> to our illustrious King and Queen . . . in which all Christendom should rejoice . . . both for the . . . exaltation which may accrue to them in converting so many nations to our Holy Faith, and also for the temporal benefits which will bring great refreshment and profit, not only to Spain, but to all Christians.

From the middle of February the little caravel, homeward bound, was tossed in terrific storms, her peril made worse from lack of ballast. Las Casas records: "It appeared to him [Columbus] that the great will he had to bring the momentous news and to show that he had told the truth . . . now caused terror in his heart, and he . . . feared any mosquito might distract and interrupt it . . ." Columbus' triumph before Ferdinand and Isabella, after a picturesque progress with Indians and sailors to their court at Barcelona, was complete. Charles Duff says, "It was as if nowadays a group of men returned from Mars, bringing definite evidence of the success of their voyage." Columbus was never again so honored. The sovereigns, with public pomp, kissed his hand, and granted him a coat of arms. They immediately set themselves to promoting the security and expansion of his discoveries. Word of the astonishing success was spreading rapidly, through the printing press, to every country of Europe.

It was particularly Portugal, which had been so fortunate in exploiting the Orient by the eastward route, which must be kept out of the new waters and lands explored by Spain. For confirmation of Spanish claims, Ferdinand turned to the Pope, Alexander VI, a Spaniard, who proved as ready to divide the world as was the King to ask it of him. Declared the Pope, in the Bull of May 4, 1493:

> We, of our pure will and certain knowledge, and with the plenitude of apostolic power, by the authority of God omnipotent granted to us through blessed Peter . . . give, concede and assign forever to you, and to . . . your successors, all the islands and mainlands discovered and which may hereafter be discovered, towards the West and South, with all their dominions, cities, castles, places and towns . . . whether the lands and islands found, or that shall be found, be situated towards India, or towards any other part whatsoever . . . drawing, however . . . a line from the Arctic Pole . . . to the Antarctic Pole, which line must be distant from any one of the . . . Azores and Cape de Verde Islands, a hundred leagues towards the West and the South. . . .

In order to clinch the grant by getting the Portuguese to accept it in the Treaty of Tordesillas, June 7, 1494, the line was moved to 370

leagues west of the Cape Verdes (roughly halfway between Cuba and the bulge of Africa). Thus Portugal was fenced off to the east and Spain was given free rein in the west. This became the occasion of the greatest boundary-line disputes in history.

Cupidity after Courage

For extension of the royal gains, a new and more impressive expedition under Columbus was promptly fitted out at Cadiz, three large ships and fourteen caravels, with fifteen hundred men, as many of them denizens of court and church and counting-house as of the forecastle. There was now no begging for companions in peril, as the year before at frightened Palos, but selection to get the least objectionable of those who clamored for the chance of riches. Among the more worthy in the company were Columbus' brother Diego; Ponce de León, later to discover Florida; and Antonio de Marchena, the learned friar of La Rábida Monastery, who had encouraged Columbus when his fortunes were at the lowest ebb on his first visit to Spain. The ships carried all sorts of domestic animals to stock new settlements, and powder and ball to compel from the natives what they would fail to give in exchange for hawks' bells, glass beads, and mirrors.

With the sailing of this squadron late in September, 1493, began that exploitation of the New World of which Spain was the leader in cupidity and ruthlessness. The heavily armed adventurers who now went with Columbus soon proved, by their slaughter of the Indians, how the inhumanity of their natures contrasted with his general kindness. The royal accountants, whose quills were as sharp as hunting knives, soon showed how generous views for the development of primitive countries may be contracted to the size of gold nuggets.

The Spaniards at Navidad had perished every one, partly from fights among themselves, partly from disease, but more in a surprise attack upon the wooden fort by two fierce Haitian chiefs. A new colony was soon planted, thirty miles to the east of Navidad, and was called Isabella. Here tropical diseases added their afflictions to disappointed hopes. Columbus, however, never tarried long from exploration. He now revisited Cuba and went to Jamaica, was prostrated by fever and unremitting labor on the homeward voyage, and was taken ashore at Isabella unconscious.

From this point on, Columbus' fortunes began to decline toward their sad end. He was cheered by the arrival of his brother Bartolomeo, the

map-maker, long a representative of Columbus at European courts. But there also came Juan Aguado, sent to investigate the affairs of the Indies after enemies of the Admiral had taken home every complaint and insinuation which jealousy could concoct. Columbus now allowed himself to forget his former friendliness toward the Indians. The most warlike chieftain, Caonabo, was tricked into captivity, and slaughter was carried to the tribes. Columbus had thus far withstood the Treasury's demand for gold from the Caribbean with promises and excuses. Now he felt he must find gold in quantity. The result was a levy of gold dust upon every Indian — a gourdful every three months to be brought by chiefs and a hawk's-bellful by every subject. The neck of every Indian received its brass check, on which was marked the payments on his quota, or he was liable to punishment. When even this regimen did not produce much gold (for it was not present in the island), Columbus loaded returning ships with five hundred Indians to be sold in Spain as slaves.

We shall not trace Columbus' last two voyages, made with poor ships and poorer sailors. On the third voyage he discovered the mainland of South America. Supplanted at Española by a jealous rival, he was sent back to Spain in irons. Columbus exonerated himself and made a final voyage marked by storms and suffering. He spent what remained of his life in vain entreaty to King Ferdinand to secure his promised privileges, and died May 20, 1506, in a beggarly room over a stable at Valladolid.

Two Centuries to Draw the Map

We have now to trace the steps whereby the New World, to which Columbus had shown the path, was found to consist of two continents, separated from Asia by a vast sea. In a succession of maps in the two hundred years following Columbus, we can witness the geographical truth dawning piecemeal upon the European mind as cartographers recorded the progress of discovery and exploration.

In the first of these maps the Caribbean islands and the near-by coasts of the mainland were most accurately represented. Then appeared Florida and the eastern outline of South America. The extreme northeastern parts of North America, since they were visited more often, were better drawn than the intervening coast between the St. Lawrence and Georgia. Often the whole of North America and South America were shown in accordance with the early supposition that they were the

easternmost parts of Asia, so that China fell where Mexico is and the valley of the Ganges was in the Pacific off the Peruvian coast. Then came some appreciation of the westward extension of the new countries, with the conviction that water separated them from Asia. When the Pacific was first recognized, it was exhibited by these map-makers as altogether too narrow, and Japan, large out of proportion, would have been an easy sail from Panama. South America, after the voyages of Vespucius and others, took on something like true shape in the maps before North America did.

Thus, the Americas came up out of the Sea of Darkness by degrees. We may divide the discoverers roughly into five groups: (1) Vespucius and the Cabots, contemporaries of Columbus, in a high degree original, whose voyages defined great stretches of the coasts of South and North America respectively. (2) Magellan is in a class by himself, not only because of his feat of seamanship and courage, but because his ship's navigation of the globe profoundly influenced all discovery toward the New World. (3) The Spanish *conquistadores* in Mexico, Central America, and our own Southwest. (4) Explorers of the northeastern coasts of North America — Frobisher, Davis, Hudson, Baffin — who searched for a passage to the Orient through the land barrier; in this group we may place others who contributed to knowledge of the western coasts, Drake and Bering. (5) French voyagers and traders who opened lower Canada and linked this country by the St. Lawrence, the Great Lakes, and the Mississippi to a new dominion on the Gulf of Mexico. Discovery and exploration of the New World was a tide in European endeavor, and by no means a mere series of disjointed individual exploits.[1]

Americus Vespucius, whose name, before his death, came to be applied to a part of the New World, and later to the whole of it, was a Florentine, forty years old at the time of Columbus' first voyage, and a trusted friend of the great Genoese. He sailed in four transatlantic expeditions in the capacity of astronomer, between 1497 and 1504, and died as pilot major of Spain in 1512. His first voyage was northward along the coast of Honduras, around the whole of the Gulf of Mexico, and up the seaboard perhaps as far as Chesapeake Bay, thence homeward by way of Bermuda. No such extensive coasting of the southern part of the northern continent occurred again until considerably later. The second voyage, 1499–1500, took him along the eastward extension of the southern continent, from the Gulf of Maracaibo to Cape San Roque, and the third, 1501–02, from Cape San Roque southwesterly.

[1] See Henry Harrisse, *The Discovery of North America*, Book V ("Unknown Navigators").

Vespucius had thus followed the American coasts from Hampton Roads to the river La Plata; his further reach to South Georgia took him nearer to the antarctic pole than any European mariner had been except Diaz. This revelation of a huge continental mass south of the equator, quite matching Africa, so impressed the German geographer, Martin Waldseemüller, who published his *Cosmographie Introductio* in 1507, that he proposed that the new southern land, which was evidently no part of Asia, be called the land of Americus, or America. The name first appeared on the map of Leonardo da Vinci, about 1514. It was Gerhard Mercator's globe in 1541 which first showed a distinct western hemisphere and gave the name "America" to both continents. It has often been said that Vespucius stole credit from Columbus. Columbus' own son, Ferdinand, does not seem to have resented the honor accorded to Vespucius, though others soon did so. From all we know of Americus Vespucius he was an able and modest navigator, more eager to push his prows into new seas than to push his name into history books.

"John Cabotto and His Sonneys"

England's maritime commercial enterprise, in the Age of Discovery, was less than that of Venice, Spain, and Portugal. She was outside the fierce rivalries of these others, and was absorbed in the changes, political as well as religious, which were taking place in the Protestant Reformation. The town of Bristol, however, was an exception to this rule. Its humdrum trade in fish from Iceland waters was broken by bold adventure. A dozen years before Columbus' first voyage, Bristol men had sailed out in two ships to find "the island of Brazil to the west of Ireland." Beginning in 1491, we are told in a contemporary letter, "Bristol people had sent out every year, two, three, or four caravels" in the same search, prompted by certain Genoese.

These Italians were John Cabot and his three sons, citizens of Venice living at the English port. In all probability the Cabots' own westward voyages, soon to be undertaken, were prompted by the news of Columbus' exploit, of which they would have full knowledge through Italian merchants in England. However, there is the story that John Cabot, long before, in inquiries of the caravans in Arabia, had convinced himself that, the earth being round, the East could be more readily reached by sailing west than by the customary routes. In any event, at a date not precisely known, Henry VII received a petition:

Please it your highnes of your most noble and haboundant grace to

> graunt unto John Cabotto citizen of Venes, Lewes, Sebestyan and Sancto his sonneys your gracious letters patentes under your grete seale in due forme to be made according to the tenour hereafter ensuying.

The King authorized them, in March, 1496:

> Upon their own proper costs and charges to seek out, discover, and find whatsoever isles, countries, regions, or provinces of the heathen and infidels, . . . in what part of the world soever they be, which before this time have been unknown to all Christians.

In the beginning of July, 1497, John and Sebastian Cabot set out from Bristol in a small vessel with eighteen companions on the first transatlantic voyage under the British flag. Their accomplishment, not repeated until long afterward, was to found the British claim to the soil of North America. The landfall of the Cabots was probably on the eastward projection of Labrador. The remonstrance of Ferdinand and Isabella against the Cabots' enterprise as prejudicing Spanish rights came after the ship sailed, but does not seem to have lessened the warmth of the English welcome to the discoverers on their return two months later.

A larger expedition by the Cabots was promptly planned; five ships sailed in the early summer of 1498. Cabot believed his first landing to have been "in the territory of the Grand Chan" (China); on the second voyage he coasted northward along Newfoundland and then turned south, expecting to run between Cipango (Japan) and China, and really hugging the shore to a point as far south as Florida. John Cabot died on the return voyage, and Sebastian ever after claimed for himself credit which belonged to his father.

The English did not pursue the Cabot voyages to America. The coasts which they found, even if a part of Cathay, were bleak and unpromising compared with the rich regions of the Orient with which Portugal was opening commerce. Others, however, took immediate advantage of the Cabots' discoveries. Portugal had sent more than one expedition westward before Columbus applied at that court. As soon as the news of the Cabots' find reached King Emanuel, he authorized voyages thither by two of his noblemen, the brothers Gaspar and Miguel Cortereal. From the time of the Cortereal voyages the Portuguese went continuously to the Newfoundland banks to fish for cod and salmon. In Catholic countries there was much demand for a plentiful supply of fish for fast days. At the time when the Portuguese had only fishing stations on these coasts, a colony of French under one Thomas Aubert

went out from Dieppe in 1508. This was the first French attempt of the kind in America. Sailors from Brittany then came often, giving their name to Cape Breton in Nova Scotia.

Proof of the Pacific

Practically, it was the voyage around the world of Magellan's ship *Victoria* in 1519–22 which convinced the Europeans that the Americas were separate continents, though the final proof that North America was not joined to Asia was given only when Vitus Bering sailed through his strait two hundred years later in 1728. Ferdinand Magellan (in his native Portuguese, Fernao da Magalhaes) was born a nobleman about 1480 and soon became a page at court. The expansion of Portugal's empire in the East took him there for seven years as soldier and merchant, during which time he saved the life of Francisco Serrano, one of the commanders, and a fast friendship grew between the two. Magellan retired to a study of geography and navigation, and emerged with a determination to reach the Spice Islands and visit his friend Serrano by sailing westward around the world, hopeful that he could find a strait through South America. Although King Emanuel of Portugal refused to back him in his project, he gave Magellan permission to transfer his services to Spain. Here Magellan showed the young Charles V, "on a well-painted globe in which the whole world was depicted," how it was possible to reach the "islands in which cloves grow" without ever passing through the lands or seas allotted to Portugal. Magellan set out in five small ships, September 20, 1519, with total crews of two hundred and eighty men made up from many nations. We know the thrilling particulars of the long voyage from the journal of Antonio Pigafetta, a young gentleman who went along "for to see the marvels of the ocean," an ambition in which he was not disappointed. The fleet crossed to Brazil and coasted southward to the mouth of the river La Plata, whence they ran into every inlet that promised a way through the land barrier to the other sea.

They found, not the Pacific but an antarctic winter, and so at the end of March took shelter in Port St. Julian, Patagonia, to wait five months for warmer weather. This halt, with its dreary prospect made darker by scanty food, precipitated the mutiny of three of the ships, but Magellan executed or marooned the leading offenders, and thereafter commanded greater fidelity. At the end of August they started southward, and after a stormy passage of two months, entered "the straight

now cauled the straight of Magellanus, . . . in breadth sumwhere very large and in other places little more than halfe a league in bredth. On both sydes of this strayght are great and hygh mountaynes couered with snowe, beyonde the whiche is the enteraunce into the sea of Sur." The strait is three hundred and twenty-five miles long, but the anxious groping through it, prolonged by many beckoning bays, and made excessively dangerous by the sweeping gales and narrow channels, consumed thirty-eight days before they came out upon the smiling Pacific. "When the capitayne Magalianes was past the strayght and sawe the way open to the other Mayne sea, he was so gladde thereof that for joy the teares fell from his eye. . . ."

Then followed four months of sailing through the Pacific. Magellan's steadfastness was needed, for starvation every day came closer as the promised islands retreated. The biscuit was reduced to wormy crumbs, rats sold for high prices, and those of the men who were not dying of scurvy ate pieces of leather from the yardarms, first having "hunge them by a corde in the sea . . . to mollifie them, and sodde them. . . ." The ships finally reached the Philippines, which to that time had not been known to Europeans. Here Magellan, covering the retreat of his sailors to their boats after a clash with natives, was stabbed to death on the beach.

The two remaining ships went to the Moluccas, were loaded with spices, and parted company, the *Trinidad* to go back across the Pacific to Panama, the little *Victoria*, of eighty-five tons, bound through the Indian Ocean and around the Cape of Good Hope. The *Victoria*, having circumnavigated the globe, reached Spain after an absence of almost three years. Her cargo of twenty-six tons of cloves sold for more than enough to defray all the costs of the expedition.

Francis Drake on one of his freebooting expeditions crossed the Isthmus of Panama and looking on the Pacific prayed God that he "might sail once in an English ship in that sea." He got his wish in 1579, on his voyage around the world. In the *Golden Hind* he coasted far north, seeking for a passage back to the Atlantic, but could find none and was driven by the extreme cold to return south to repair his ships in a bay a little above San Francisco.

We may speak only briefly of exploration in the southern portions of what is now the United States. In 1513, Juan Ponce de León, who had sailed with Columbus on his second voyage, set out from Puerto Rico to find a mythical Caribbean island known as Bimini, on which was thought to be situated a fountain of youth which had long played through

ancient folklore, of which they that drink "hafe neuermore sekeness, bot euermore thai seme yung." On Easter Sunday, which in Spanish is Pascua Florida, Ponce de León came to a coast which he named for the day. He landed near what is now St. Augustine, sailed then around the tip of the peninsula, and eight years later took colonists to the country. He found not life but death, being mortally wounded by an Indian arrow.

Meantime, in 1519 Alvarez Pineda had sailed around the Gulf of Mexico, discovered the mouth of the Mississippi, and gone some distance up the river. A Florentine pirate in the service of France, Verrazano by name, in 1524 with fifty men skirted the coast northward from North Carolina, discovered the Hudson, and landed in Rhode Island and perhaps Maine. The same year a Spaniard, Lucas Vasquez d'Ayllon, tried to find a passage through the continent into Magellan's Pacific Ocean, sailing from Haiti into Chesapeake Bay. Two years later, in 1526, he returned with a colony of six hundred men and women to what afterward became the site of Jamestown. He brought Negro slaves (the first ever to be worked in the United States) and one hundred horses. This ambitious beginning came to a disastrous end in the death of the commander, sickness, and strife which sent the survivors back to Haiti.

The Conquistadores' Pursuit of a Fable

Our next explorers penetrated deep into the Southwest. In 1528 the Spaniard Panfilo de Narvaez sailed from Cuba, with four hundred soldiers and eighty horses, to conquer the country which is now Alabama, Louisiana, Mississippi, and Texas. Indians killed the landing party, all but four — Cabeza de Vaca, two other Spaniards, and a Negro whose name in English means "Little Steve." This quartet saved themselves by their wits through eight long years of wanderings with their Indian captors, convincing the savages that they were special medicine men. After traversing the great distance from the Mississippi to the Gulf of California, they reached a Spanish outpost in Mexico. Their reports excited other attempts. "Little Steve," nothing daunted, soon returned in the small party of the Franciscan monk Marcos, who was looking for the fabled Seven Cities, to the north of Mexico. They thought they had found their goal when they drew near to the pueblos of the Zuñi in New Mexico, but the rest of the party beat a hasty retreat when Steve, the advance agent, was called a quack by the Indians and killed with an arrow.

But the Spaniards were not to be so easily cheated of the sight of the Seven Cities, reported to contain much gold. Francisco de Coronado, with more than a thousand Spaniards and Indians, many of them riding horses which were the ancestors of Wild West broncos, put in his appearance at the pueblos in 1540, discovered the Grand Canyon, and penetrated as far as Nebraska before turning back in disappointment at not finding gold-domed temples, but instead vermin-ridden adobe villages. Their longest stop was at Pecos (near what is now Santa Fe) where they wintered with little advantage to the pueblo, though they started a mission church.[1] Fernando de Soto was another captain who made a long American march for plunder and encountered more trouble than treasure. He brought from Cuba to Florida in 1539 nine vessels loaded with men and mounts, and set about executing his command to conquer the country. Going north to the Savannah River, he turned westward on the first march through Georgia, murdering Creek Indians, but not without his own heavy losses in battle. The company of *conquistadores* spent the winter of 1541–42 in the Mississippi delta country. Beginning in the spring, they searched for El Dorado on the western shores of the river until De Soto died of a fever; his sadly diminished troop buried him in the stream and returned in makeshift boats to Mexico.

It was from Central America, the occupation of which owed much to Balboa, that the Spanish conquests of far larger and richer regions took their start. We may not follow in detail the bloody trails which led Hernando Cortes to capture the Aztec stronghold (Mexico City) in 1520, and which led the brothers Pizarro to the subjugation of Peru and Chile a decade later. But we must note that from these countries there poured into Spain a steady stream of the precious metals which helped, Midas-like, to impoverish the greedy recipients, dissipating industry, making ingenuity seem a waste of effort, and retarding emergence of that nation from medieval practices and ideas.

Northwest Passage

In the early colonizing attempts of Catholic Spanish and Protestant French in South Carolina and Florida, religious hatreds overshadowed economic design and in the end brought ruin to all concerned. One would think that perils faced by Europeans in a wild and distant land

[1] It is now being reconstructed by the government, and the extensive foundation remains of this ancient pueblo are being protected against further decay.

would be enough without adding to them the sword of the religious bigot. But the blood spilled in the sixteenth century in America testified to the intensity of the conflicts of conscience in the old countries. The fifteen-sixties found a French fort on St. John's River (near what is now Jacksonville), and a Spanish fort to the south at St. Augustine. Mutual murdering brought destruction of both settlements.

England and to a lesser extent the Netherlands were anxious to find their own routes to China and the Spice Islands, routes which should lie in their northern latitudes. For sixty years following the middle of the sixteenth century, abortive attempts were made at the northeast passage above the North Cape and Siberia, and the northwest passage through Hudson Strait and other waterways of Canada. Remarkable Elizabethan seamen, inspired chiefly by Sir Humphrey Gilbert's *Discourse . . . to prove a Passage by the Northwest to Cathia*, battled frozen seas to the destruction of themselves and disappointment of the companies of Queen, courtiers, and merchants which sent them out. During Martin Frobisher's first expedition in 1576 he rediscovered Greenland and ran a little way into the bay bearing his name. It was unfortunate that a sailor picked up "a peece of blacke stone, much like to a seacole in coloure, whiche by the waight seemed to be some kinde of metall or minerall," for Frobisher, leaving off exploration, returned twice to freight his ships with hundreds of tons of this fool's gold. He had, however, discovered Hudson Strait and sailed a distance into the bay.[1]

Sir Walter Raleigh and Adrian Gilbert, half-brother and brother of Sir Humphrey Gilbert, were among the chief promoters of a company which financed the persevering but unsuccessful efforts of John Davis to find the northwest passage. Other backers, undiscouraged, later sent George Waymouth and a succession of followers, including William Baffin, on the same fruitless errand. Henry Hudson in 1609 sought a passage to the East through North America on behalf of the Dutch, who were already successfully using the route around the Cape of Good Hope. He fished off Nova Scotia, went southward as far as the Carolinas, and in returning explored Chesapeake Bay and sailed up the Hudson River as far as Albany. He renewed the attempt the next year, went through the strait which Frobisher, Davis, and Waymouth had previously entered but which bears his name, and was working around his bay when the crews mutinied. Hudson and a few loyal companions, set adrift in

[1] Frobisher's men in 1578 built a small stone house with lime mortar to test the effects on it of the arctic climate, but it was not until two hundred and eighty-three years afterward that Charles F. Hall, of Cincinnati, searching for remains of Sir John Franklin's expedition, came upon what was left of the structure, and collected relics now deposited in the British Museum.

a small boat, were never heard of again. What the companies and commanders would have called a mere by-product — the impetus given to commerce in fish and furs — was the chief result of these voyages. The long-sought passage, in which so many lost their lives, remained to be discovered in 1851, but was first actually sailed through by Roald Amundsen in the *Gjoa* in 1903–06.

Penetration from Canada

Samuel de Champlain (1567–1635) established the French power in Canada. Founder of Quebec and governor of New France from 1608 until his death, he was tireless in exploration, in beating back hostile Indians, in planting colonies and building forts, and repeatedly returned to Paris to plead for his hopeful enterprises. But French claim to the whole vast area between the Alleghenies and the Rockies was based on the exploits of others. Louis Joliet, the trader, and Jacques Marquette, the Jesuit missionary, set the pattern for French penetration of the continent, combining trading posts and mission stations. In 1673 they succeeded in reaching the Mississippi by way of Lake Michigan, Green Bay, the Fox and Wisconsin Rivers, and followed the great stream down to a point below the mouth of the Arkansas. This canoe journey of more than twenty-five hundred miles required more skill, courage, and devotion than we can tell. On a later expedition Marquette, worn out by hardship, perished in the wilderness, a martyr to a religious zeal which merited more response than he ever found in the Indians whose conversion was his passion.

Robert de La Salle did more. He came to Montreal as a young man, and determined to extend French authority inland. He had a share in diverting part of the fur trade of the upper lakes from the Dutch and English in New York. He returned to France to lay before Colbert, the great minister of Louis XIV, his ambitious scheme of opening for France a new empire in the Mississippi Valley, far more inviting and fertile than "the poverty of Canada, its dense forests, its barren soil, its harsh climate. . . ." He would establish a chain of forts reaching from the St. Lawrence through the Great Lakes and down the Mississippi, insuring that the English would be kept to the east of the Alleghenies and the Spanish not be allowed to come northward from Mexico. He began to execute his plan in 1679. A succession of disasters to his vessels, trading stations, and blockhouses did not deter him (1681–82) from passing through the lakes to the southern tip of Michigan, thence by the

Chicago River to the Illinois, and so down into the Mississippi and the Gulf of Mexico. Here La Salle ceremoniously set up a post with the French arms and proclaimed the entire huge area drained by the Mississippi the possession of Louis XIV, naming it after the King, Louisiana. His design of building a fort at the mouth of the Mississippi to defend the gateway of the new domain was tragically thwarted, and La Salle was shot from ambush by traitorous followers.

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Chapter 2

English Colonization: Beginnings in the South

To UNDERSTAND the economic and political control of the American colonies by the mother country, one must have in mind the main features of mercantilism, the rules for national prosperity developed and applied in western Europe between the end of the Middle Ages and the advent of *laissez faire*, or between the sixteenth century and the first two thirds of the eighteenth century. Mercantilism may be called the first body of conscious economic doctrine. This is not to say that it was uniform or consistent, but it did have coherence in defining a stage of social evolution, and some of its widely accepted beliefs amounted to dogmas.

Mercantilism succeeded to the decay of medieval institutions. Europe in the Middle Ages was characterized by two broad tendencies — those toward unity and those which worked against it. The factors which made for unity were the Catholic Church and the Holy Roman Empire, the first of these more permanent than the second. Differences, however, were fostered by the towns and the landed nobles, which had local authority and were the operative units of economic life. When these agencies of public administration weakened, national states emerged. These national states changed the picture by contracting what had been broad and by broadening what had been contracted. The old religious and political fusions were supplanted by the rise of the new monarchies, for the Reformation partitioned the Church in much the way that the sovereigns demanded independent political control. On the other hand, strong generalizing tendencies were at work within the national states, for sovereigns took power from the feudal lords and the guildsmen of the towns.

This was a logical development which contributed to social integration. The national states were, of course, less in area than the Europe over

which the universal Church and the Holy Roman Empire had held sway, but they were feasible instead of fictional. At the same time they were much less particular and peculiar than the little units — towns and manors — into which such a large part of actual authority had fallen. The king expelled from his dominion pope and emperor, while he covered into his suzerainty vassal and burgher. While he claimed crown and cross for his own, he also usurped the mayor's mace and the baron's socage.

The new national states had to gather their forces, for without and within was breakdown. Every tendency of the time compelled them to justify and maintain their existence by positive action and forethought. Thus royal ministers, seeking to strengthen and perpetuate the power of a sovereign, gave themselves to what we should now call national economic planning. Mercantilism consisted in the policies which they devised and the reasoning which supported these policies. The purpose was to magnify and solidify the state by insuring its economic prosperity. The mercantilists thought neither about the whole of human society nor about individual persons. They centered upon the national state, which was hostile toward other states and demanded that its citizens serve its needs. Historical mercantilism is more comprehensible to us when we look at the economic nationalism of "corporative" or "totalitarian" states in our own world. Their characters are dishearteningly similar. It had seemed, for a century and a half, as though the system of *laissez faire* which succeeded to mercantilism might promote international cooperation and enlarge the liberties of the individual. But the world then retreated from the policies of free trade and humanitarianism, and reverted to national devices more exclusive, cruel, and disregardful than those known to Gresham or Mun, Richelieu or Colbert. It remains to be seen whether the United Nations will accomplish world harmony.

The fundamental fact of mercantilism was its trust in the *manipulation* of economic activities by the state for the advantage of the state. In this respect, as Professor Heckscher has remarked,[1] mercantilism made an advance over the assumption of the Middle Ages that society was static. Mercantilist statesmen saw that the political and economic unit, by taking thought, could add a cubit to its stature. Fatalism and resignation were to this extent banished. But there was a limit upon this optimism. The resources and capacities of the world as a whole, in the mind of the mercantilists, were not susceptible of increase. If one nation made progress, it must be at the expense of other nations. Thus,

[1] Eli F. Heckscher, *Mercantilism* (English translation by Mendel Shapiro), vol. II, pp. 23–28.

every internal and external policy was geared to fierce international competition. Only a few of the mercantilist ministers and writers glimpsed what was seen more clearly by free-trade economists from the late eighteenth century onward, namely, that the gain of one country was not the loss of others, but that the whole family of nations, by sharing knowledge and products, might enjoy, if they would, security and a rising standard of living.

Mercantilists and National Wealth

The mercantilists, then, in bolstering their national states, took for granted governmental intervention in economic life. The state, as we have seen, had received the mantle of political power and moral responsibility. Its obligation to use these was made clearer when it looked at the disorder prevailing within its own boundaries. Particularly on the Continent integration of each country was made impossible by the autonomy of towns and feudal lords. Import and export dues and prohibitions were enforced by localities, and river and land commercial routes were vexed by multitudinous and often arbitrary tolls. The castles on the Rhine, for instance, were strongholds from which toll-takers of princelings and archbishops descended upon merchant boats. At the end of the Middle Ages there were on the Rhine more than sixty of these toll-stations — on the average one every ten miles — and they exacted most of the cargoes before these reached market, thus making prices absurdly high. Often the tolls were self-defeating, for merchants avoided them by taking circuitous routes.

Petty local authority had to be dissolved, so that trade could be fluid within a country and the economic efforts of the people be better coordinated. Moreover, that part of local control which was not illegal had been fatally weakened so that national regulation had to take its place. This was apparent in England in the Statute of Apprentices of Elizabeth (1563) which took the most general and useful of the old guild requirements and bolstered them with national compulsion. The great Poor Law, at the end of Elizabeth's reign, fifty years later, was another notable example, seeking as it did to check the idleness and roving of a large part of the population.

With the object of making the national state safe and great in competition with other states, and remembering that the ministers of the king felt perfectly at liberty — indeed were charged — to use any means to these ends, what policies did the mercantilists adopt? It is often said

that the mercantilists naïvely confused money and wealth, considering the country richest whose kingly coffers were most bulging with treasure.[1] This was often enough the case, but we shall miss the maturer and more creative character of mercantilism if we fail to see that many of its devotees grasped the fact that money was but the expression of wealth which existed in far different forms. National wealth to these mercantilist statesmen of superior insight lay in economic activity, in well-co-ordinated agriculture, industry, and trade. A numerous, robust, and skillful population, hard at work and frugal, was the basis of national competence. In this view plenty of money was desirable, not as a hoard, but as a ready and active medium of exchange, lubricating every part of the internal economic mechanism. Thus, Davenant in 1698 defined national wealth for England:

> Numbers of Men, Industry, advantageous Situation, good Ports, Skill in Maritime Affairs, with a good annual Income from the Earth are true and lasting Riches to a Country; But to put a Value upon all this, and to put Life and Motion to the whole, there must be a quick Stock [of money] running among the people; and always where that Stock increases, the Nation grows Strong and Powerful.

If we bear in mind that the mercantilist cared for the part only as it contributed to the welfare of the whole, and that this betterment of the nation was measured not absolutely but as compared to the attainment of rival states, it is not surprising that success in competition was put before progress. So Roger Coke said (1675):

> And therefore if our Treasure were more than our Neighbouring Nations, I did not care whether we had one-fifth part of the Treasure we now have.

And a few years later said John Locke:

> Nor . . . do Gold and Silver drawn out of the Mine equally Enrich, with what is got by Trade. He that would make the lighter Scale preponderate to the opposite, will not so soon do it, by adding encrease of new Weight to the emptier, as if he took out of the heavier what he adds to the lighter, for

[1] Gerard Malynes wrote (1623): "Since Moneys haue obtained the title of the sinewes of war, and the life of Commerce: I hope that the accumulating thereof may properly be called *The Praeheminent study of Princes*, when the same is procured by Trade: which is the sole peaceable instrument to inrich Kingdomes and Common-weales." And Misselden in the same year said: "If the Natiue Commodities exported dqe waigh down and excede in value the forraine Commodities imported; it is a rule that neuer faile's, that then the Kingdom growe's rich, and prosper's in estate and stocke: because the ouerplus thereof must needs come in, in treasure."

> then half so much will do it. Riches do not consist in having more Gold and Silver, but in having more in proportion, than the rest of the World, or than our Neighbours. . . .

Considering most of the mercantilists, however, they were not very different from Midas in wanting to turn everything into gold. Often, in their infatuation, they seemed to forget that real wealth is in goods and services. The precious metals were reached for as the store of value which, in emergency of war, might be turned into any sort of goods needed. This mercantilist hunger for the precious metals is partly explained by the fact that Europe at that time was passing over from a barter economy to a money economy. The stream of silver that flowed to Spain was the cynosure of all statesmen's eyes. Spain's stroke of fortune was to serve as a pattern. Love of the precious metals was as old as man, but their new influx excited national cupidity to the dimming of economic reason.

The Bane of Favorable Balance

If mines did not exist within the borders of the state nor could be found in far-flung colonies, then the way to draw in gold and silver was through a favorable balance of trade. This, as the principal means of most states for getting treasure, became the darling policy of mercantilism. The object was to export greater value than was imported. On this principle imports, except raw materials from the country's colonies, were severely discouraged, while exports were induced by many means. Some of these devices for promoting export encouraged low cost of production, which would give an advantage in world markets. Idleness was proscribed, skilled workers were forbidden to emigrate, the cost of living and therefore the level of wages was to be low. On the other hand, there must not be a surplus of foodstuffs within the country, because this would lead to unemployment and laziness. Bounties were paid upon exports. In reference to her colonies, the mother country was made the "staple" — that is, she must secure all of the benefits of colonial commerce; raw materials from the colonies must come to her; the colonies, forbidden to manufacture for themselves, must take fabricated goods from the mother country. We shall be concerned later with desire for a favorable balance of trade on the part of England as it expressed itself in the Navigation Acts of the old colonial system.

We are dealing so far with springs of action, with what mercantilists thought would promote "national opulence," and not with the defects

of their reasoning. The first shortcoming, however, was that, taking all countries together, in the degree that each practiced the policy of a favorable balance of trade, the efforts of one must cancel those of the others. All could not profit at the expense of their neighbors. The other fault of the policy of a favorable balance of trade was that the very money which it drew into the country was bound to set at work forces which would undo what had been striven for. Money flowing to the country, in payment for the surplus of exports, must raise prices. Higher prices within the country would then encourage imports because it would form a favorable market in which to sell, and limit exports because it would be unable to compete so well in other markets. Thus, the favorable balance of trade would tend to become an unfavorable one, the country would owe money abroad, and its stock of precious metals, so carefully built up, would have to be dissipated. The only way to avoid this was to restrict imports by force.

Another chief object of mercantilism was to promote the military strength of the state. With England, Spain, Holland, and Sweden this particularly meant naval prowess. While measures were taken to insure an adequate number of warships proper, the policy encouraged shipbuilding and navigation generally. We are concerned especially with England's action. Repeating a purpose which had been stated at intervals for more than two hundred years, the Navigation Act of 1651 declared its principal object to be "the Increase of the Shipping and the Encouragement of the Navigation of this Nation, which under the good Providence and Protection of God, is so great a means of the Welfare and Safety of this Commonwealth." So the shipping of the country was to be confined to vessels English-built, English-owned, English-manned. These provisions embraced the American colonies as well. While efforts were made to stimulate the building of ships at home, English oak and other necessary timber were near exhaustion. The most economical device was to import the materials in the form of ships constructed in the colonies. A chief reason for prizing the American colonies was that they could supply "naval stores" — pitch, tar, turpentine, resin, hemp, masts, and spars, for most of which England had formerly been dependent on the Scandinavian and Baltic countries. Any foreign country from which these supplies came might shut them off in consequence of war, or charge high prices, and the narrow entrance to the Baltic Sea could readily be blockaded by a hostile power.

The fishing industry was the beneficiary of much legislation because it was "the nursery of seamen." "Political Lent" was one of the devices

for maintaining the fisheries; the requirement was, quite apart from religious dictates, that fish be eaten on certain days of the week. The chartering of trading companies and of those to plant colonies was to no small extent in the interest of shipping. All of these measures contributed, of course, to the mercantilist design of national economic self-sufficiency, as well as serving the more specific object of naval strength. The overmastering English care for shipping expressed itself mainly in the Navigation Acts. In treating of the Navigation Acts it is hard to know at what point the special purpose of aiding shipping ended and the more general program of making the colonies complementary and dependent parts of the mother country began. Thus, bounties (bonuses) offered for the export of naval stores to England and measures of more direct compulsion helped shipping and shipbuilding, but they also drew off colonial enterprise from manufactures which would have lessened the colonial demand for goods made in the mother country. The several policies of promoting naval strength, imperial self-sufficiency, industry, full employment, and a surplus of exports over imports were all bound up together in the minds of mercantilist statesmen.

To Beat the Dutch

England's commercial rivals during the mercantilist period, against whom her policies were victoriously directed, were successively Portugal, Spain, Holland, and France. As we have seen, the earliest attempts of the English to reach the Orient were by the northwest and the northeast routes which were not supposed to conflict with the monopolies granted by the Pope to Spain and Portugal. The Muscovy Company had never penetrated so far as China, which had originally been the goal; and the northwestward voyages of the Cabots conferred colonizing rights in only the most inhospitable parts of America. Not until England had recovered from internal wars and had accomplished a Protestant revolt was she able, under Elizabeth, frankly to flout Portuguese and Spanish papal claims in East and West. The contest with Portugal was soonest ended in 1661 by Charles II marrying Catherine of Braganza. Forty years later the Methuen treaties monopolized the trade of Portugal in the hands of English merchants residing in Lisbon.

The contest with Spain was carried on not only by England, but by Holland and France as well. Colonies of Spain in Central and South America and her bullion fleets were looted by sea rovers. The special English contribution to this plundering was in the royal piracies of John

Hawkins and Francis Drake, which opened the way to Raleigh's colonizing attempts in Guiana and Virginia. Finally it was demonstrated that Spain was unable to survive prosperity, for her mercantilism had been of such a crude sort that she was satisfied with coin easily got rather than building up industrious colonies and a thrifty economy at home. The planting of an English colony at Jamestown marked the beginning of the end of Spain in America.

This left England facing Holland. From the middle of the seventeenth century England's government of trade, particularly that of her American colonies, was designed to destroy the commercial superiority of the Dutch.[1] If we remember this, the reasons for the provisions of the Navigation Acts become plain. The Dutch had planted colonies in the West and East; from the Hudson River Valley they were pushing up into Connecticut and down into Delaware; they were in the Caribbean, Guiana, and Brazil; their center in the East Indies was Java, from which they were taking over the spice trade formerly enjoyed by the Portuguese. Their commercial fleet, supported by a triumphant navy, was the largest on the seas, and fetched and carried for the Scandinavian and Baltic countries, Germany, Flanders, Scotland, Ireland, for England herself, and for the American colonies. The Dutch had ousted the English from their early lead in the Russian trade. About 1615 we are told that they were sending five hundred ships to Norway and Denmark, two thousand to Spain, twenty or thirty to Archangel, seven hundred to the Baltic, and numbers to the East. The Dutch trade in the Baltic, the world's chief source of naval stores, was soon given decisive advantage by the treaty with Denmark of 1649. Dutch ships passing through the narrow strait separating Denmark from Sweden were not charged the "Sound tolls," in consideration of an annual payment by the Netherlands government, but English and other vessels could not pass under the guns of Elsinore Castle unless they met the burdensome exaction. In case of war, the Dutch would certainly close the Baltic to English ships. The Dutch were pre-eminent in the fishing trade, giving special offense to England by sending a thousand boats for this purpose into the North Sea. The Dutch fisheries recruited seamen who were then available for the merchant marine and navy.

These successes of the Hollanders had many causes. Unlike the English who put landowning ahead of trade, the Dutch regarded commerce as an honorable estate for the individual and as the proper care of gov-

[1] See the revealing discussion of "The Dutch Rivalry," in Charles M. Andrews, *The Colonial Period of American History*, vol. IV, pp. 22–49.

ernment. They built and operated their ships with such economy that they were known as "the cheapest carriers in the world." Because of their low prices and freights, Dutch merchants and captains were welcome in English ports and particularly in those of the English colonies in America. The Dutch merchants, with large capital accumulations, enjoyed low rates of interest and gave long credit, which established them in the hearts of planters everywhere.

English merchants, lamenting their losses to the Dutch, had tried in vain to get the government of Charles I to foster trade. Their chance came with the Commonwealth government of Cromwell. In 1649 and 1650 the Rump Parliament extended its authority over the colonies and set up a council of trade. We are interested here in what is properly called the first Navigation Act, the ordinance passed in 1651, because it struck directly at the Dutch carrying trade, particularly the Dutch commerce with the American colonies. By this ordinance, as we shall see in more detail later, imports to England or any of her possessions from America, Asia, or Africa were reserved to English or colonial ships, and all indirect importation was forbidden. This was to hamper the Dutch from collecting goods from all over the world in Holland, whence they were sent to England or her colonies. No foreign vessels (the ordinance might as well have said Dutch) were to engage in the English coasting trade. Nor were the busy Dutch fishers any longer to send their salted catch to England or the colonies.

We may conclude this review of the tenets of mercantilism with the eulogy of commerce offered by Thomas Mun in his *England's Treasure by Forraign Trade*, written about 1628:

> Behold, then, the true form and work of foreign Trade, which is The great Revenue of the King, the honour of the Kingdom, The Noble profession of the Merchant, The school of our Arts, The supply of our wants, The employment of our poor, The improvement of our Lands, the Nursery of our Mariners, The walls of the Kingdom, The means of our Treasure, The Sinews of our Wars, The terror of our Enemies.

The precious metals, the influx of which from Spanish America produced a new money era in Europe, put the mercantilists off on a false scent, a scent which the world since has been too ready to follow. The Middle Ages knew that goods are treasure, and were not deceived into the belief that treasure is goods, while the mercantilists strained every economic muscle and exhausted every ingenuity to send goods abroad, and to take back in usable commodities as little as possible. The mer-

cantilists did not understand that commerce, over a period, must be a reciprocal relationship — both parties to the exchange must gain. The best feature of mercantilism was the eagerness to develop the productive capacities of the country, but these capacities are used only by supplying the wants of the people, whether through furnishing goods at home or through exchange for the output of other countries. Jealousy, suspicion, fear of commercial neighbors produced a national selfishness which, instead of enriching any one country, worked to impoverish all together.

The weight of English mercantilism fell particularly upon the American colonies, for not only were they included in most of the prohibitions which the mother country imposed upon itself, but they were subjected to an intra-imperial mercantilism, supplying much of the raw materials which English industry discharged to the world.

Joint-Stock Companies

In beginning a discussion of colonization as distinct from discovery and exploration, it should be borne in mind that the greatest influence in North America was that of the English. Other nations participated in colonizing, to a greater or less degree, but the largest number of colonies were English, and the English were the ultimate survivors on this continent. The motives which led them to settle are of primary importance.

One desire was to find outlet for surplus population at home. In the break-up of guild, manor, and charitable church establishments scores of thousands had been set adrift with most uncertain livelihood. These roamed about the country in beggarly or predatory bands, a menace to order and prosperity. They became miserable parasites in cities and towns. Repressive measures to compel them to work and to attach them to their old localities were unavailing. Severe punishments and jailings and parish poor relief were no solution. Successful dealing with the alarming problem of the destitute unemployed waited upon slow reorganization of English economic life. Meantime, colonies needing labor offered an opportunity to empty prisons and clear mendicants and brigands from country lanes and city slums.

Determination to enjoy independence in religious worship also figured in the planting of colonies. Escape to the New World of persecuted religious dissenters was mingled, however, with more material motives.

Men wanted their own land as well as their own churches, and financial sponsors of settlements thought of their pocketbooks.

The simple hope of finding gold mines in unknown regions, the design of opening new passages to trade, the need for fresh sources of raw materials and markets for British manufactures bring us to the major purpose of colonization. The fundamental motive was commercial.

The colonies of the seventeenth century were preceded by more than fifty years of trade expansion and were themselves an expression of further progress in that direction. England's commercial development lagged behind that of other European countries, as had her interest in maritime exploration. Reduced to simplest terms, the explanation lies in the slow conversion of England from a feudal organization into a unified national state.

The latter half of the sixteenth century saw the development of an economic device which was to be the most important factor not only in England's foreign trade, but also in the settlement of North America. This device was the trading company, born of the desire of individual traders to share the risks as well as the profits of commerce with far countries. The importance of the trading companies was so great that their major forms of organization merit description here.[1]

The earliest form of organization did not involve the pooling of capital. Merchants traded within such "regulated companies" as individuals, each with his own capital; the common advantage consisted in a royal charter granting to the company the monopoly of a certain trade. For example, if a group of merchant adventurers of London was granted monopoly of trade at Bruges, no London merchant could trade in Bruges unless he were admitted to the company of merchant adventurers (on payment of a high fee), and no merchant from any other English port could trade in Bruges at all. A later development was the semi-joint-stock company; joint stocks were created, but singly, for each separate venture. At the end of each voyage the profits would be shared among the adventurers, and a new joint stock raised for the next voyage. A third sort of company created a joint stock, but remained unincorporated. It was a voluntary association because it had no legal recognition and therefore no monopoly of trade. It was really a partnership on a large scale. Such associations had some importance in the settlement of New England, as we shall show.

[1] For the discussion which follows, the authors are greatly indebted to the illuminating treatment by Professor Andrews in volume I of *The Colonial Period of American History* (1934), pp. 40–42.

The real joint-stock company was similar in most respects to the modern corporation. It was used for great enterprises requiring a large amount of capital. A *permanent* joint stock was organized, and the investors — who need have had no previous connection with that trade or any other — were rewarded by dividends on their original investment. The capital was not returned to the investors at the conclusion of a successful voyage, but remained in the hands of the company. The only way an original investor could get back his capital investment was to sell his stock to someone else willing to take an interest in the company. The direction of the affairs of such a company lay with its governing body, just as modern corporations are guided by their boards of directors. The present-day stockholders' meetings have their predecessors in the customary quarterly meetings of the "court" of joint-stock members.

The prime purpose of joint-stock companies was, of course, commercial. But their eventual scope and influence went far beyond, into political and diplomatic spheres. The English Crown, in the sixteenth and seventeenth centuries, although jealous of its power and anxious to increase it, was not financially able to engage in commercial enterprises on a grand scale, nor in the efforts at colonization which logically resulted from the expansion of trade. The companies paid large sums for monopoly and incorporation, and the Crown was content to profit by these fees and also, less directly, from the existence of the companies as convenient channels of English influence in distant places. The companies bore the risks of colonization. Their ships were vital to the Crown, because at this time there was no clear line of demarcation between the merchant marine and the royal navy; diplomatic representatives in various places were maintained by the companies; and the royal government was not above borrowing money from these great commercial organizations. On the other hand, the companies enjoyed whatever advantages resulted from government support and from the grants of monopoly. Both parties profited, at least at first.

Trade organized in these ways began by seeking profits to the north and east. The Muscovy Company dealt in Russia, the Levant Company in the eastern Mediterranean, the Eastland Company in the Baltic, and the East India Company struggled with the Dutch for supremacy in the East Indies. These companies were only a few of the greatest. Not only were there many minor and less successful ones along established trade routes, but there was enough capital seeking employment, as time went on, so that English eyes turned to less known places to appraise commercial opportunity. Companies were formed for trade with Africa

and for the exploitation of fisheries in both domestic and foreign waters.

Knowledge of the New World to the west and interest in it from a commercial viewpoint were, of course, increased by the many voyages of exploration. Freebooters — less politely, pirates — were the first to embrace opportunities in the West, but more legitimate enterprises were not slow in following, although the impulse to make permanent settlements was not immediately apparent. A transition was necessary from the adventuring seafarer bent on the seizure or discovery of treasure, through the trader whose pocket was his prime concern, to the sober individual who, for one reason or another, was actually willing to spade the soil and sow the seed necessary for the survival of colonies. It was the first of these who brought knowledge of new lands, but it was a combination of the last two that ultimately succeeded in peopling them.

Early Attempts at Settlement in Newfoundland

The two persons most prominently concerned in the early attempts at English settlement, before the first permanent colony at Jamestown, were Sir Humphrey Gilbert and Sir Walter Raleigh, half-brothers and fellow adventurers. Gilbert's activity, dating back as far as 1566, proceeded originally from his connection with the Muscovy Company, which had been granted the exclusive right to new trade to the northwest from London, but had sent no expeditions in that direction. Gilbert wished to do so, and asked the Queen for naval assistance and an inheritable interest in any lands discovered.

Nothing came of this project. In June, 1578, however, Gilbert was granted a patent for the plantation of America, to run for six years. He had the right "to settle remote Countries, not in the possession of any Christian prince, and to exercise jurisdiction within 200 leagues from the place where he should fix his place of residence." A company was formed and the necessary capital raised, but at the last moment most of his supporters faded away. Gilbert went to Newfoundland, but since he lacked numbers sufficient to settle, came home again. His interest in Newfoundland is easily explained. As we have seen, he was one of the most prominent seekers of a northwest passage, and believed that the most convenient route to the East lay around the northern end of America. Also the coasts of Newfoundland had been known for years to fishermen, English and others, who had sometimes wintered there. Four years went by after the failure of 1578 before Gilbert attempted to gather together another expedition. In 1582 an association of mer-

chants of Southampton was formed, looking forward to eventual incorporation. Southampton was to be the English port for the proposed colony's trade, and every contributor of five pounds was promised not only the return on his money, but also one thousand acres of land, subject to an annual payment, or quitrent. Under the terms of the patent, Sir Humphrey was to hold the lands as a royal fief. The colonists, though owing allegiance to the English Crown, were to be subject immediately to the proprietor's colonial government.

In June, 1583, when his patent had one more year to run, Gilbert sailed for Newfoundland with a fleet of five vessels. One, commanded by Raleigh, soon turned back, but the other four continued and reached St. John's in July. The royal commission was read to the fishermen of assorted nationalities who happened to be in the harbor, and the newcomers took possession of the soil in the name of Queen Elizabeth. Grants of land were made to the fishermen, as well as to others. But the "colonists" soon broke up, instead of trying to form a compact settlement at St. John's. Some disappeared into the woods, some took to the sea as privateers, some asked to be returned to England. Gilbert himself, with the survivors, was soon forced by adversities to go home. On the way part of the company was shipwrecked, Gilbert himself was lost, and any designs he may have had for Newfoundland lapsed with his death.

Raleigh's Efforts in Virginia

The next attempts at settlement on the continent of North America followed hard on the heels of Gilbert's efforts. The scene was remote from the damp chill of Newfoundland, but the moving spirit was Raleigh, who had shared Gilbert's hopes if not his fate. Raleigh's desire was to plant a permanent colony in Virginia, and for that purpose he was granted royal letters-patent (almost a duplicate of Gilbert's) on March 25, 1584. His goal was, of course, not the Virginia we know on modern maps; the geographical boundaries in the patent were most generous, not to say ambiguous. Like Gilbert, Raleigh was given the right to settle and occupy "such remote, heathen and barbarous lands, countreis, and territories, not actually possessed of any Christian prince, nor inhabited by Christian people, as to him, his heires and assignes . . . shall seeme good," and also control of land within a radius of two hundred leagues from any settlement that might be made. This blanket provision could apply to any spot along the eastern coast of the continent,

except the Spanish possessions in Florida. Raleigh's wish was to choose a warmer spot than Gilbert had attempted.

A preliminary expedition to look for a good site was sent out within a month after the patent was signed by the Queen. Two ships, in the command of Captains Amadas and Barlow, sailed first to the West Indies (all of the first Virginia expeditions took that route), and then north to Cape Hatteras. Within what is now Pamlico Sound, the Englishmen took possession of an island (Roanoke), naming the whole region Virginia in the Queen's honor. Two different groups of colonists were left there, one in 1585 under Ralph Lane and the other in 1587 under John White. Of these, the first group returned to England; of the second, the greater part was completely lost, no one knows quite how.

The first colony, taken to Roanoke by Sir Richard Grenville and consisting of one hundred and seven persons, all men, arrived in Virginia in July of 1585. They remained there just about a year, building a few rough houses and a fort, gathering information about the country, exploring, and in the spring planting some food for their own use. The advance expedition had established friendly relations with the Indians ("for a more kinde and loving people there can not be found in the worlde, as farre as we have hitherto had triall") [1] and it was intended that the advantage should be followed up by the next voyagers. Unfortunately, Grenville did not understand the importance of this, and laid the foundation for Indian distrust of the English in an incident of theft by an Indian. "The 16 . . . one of our boates with the Admirall was sent to Aquascogok, to demaund a silver cup which one of the Savages had stollen from us, and not receiving it according to his promise, wee burnt, and spoyled their corne, and Towne, all the people being fled." Later the colonists found it difficult to obtain food from the Indians and there was conflict between English and savages.

This was one of the reasons why the colonists were so ready to abandon their enterprise in the following summer, when an opportunity presented itself. In June, 1586, Drake appeared at Roanoke, homeward bound from one of his expeditions to the West Indies, merely paying a friendly call on fellow Devonians en route. Only a few days before he arrived, the most serious trouble the colonists had with the Indians had resulted in the killing of one of the chiefs. Food was scarce, and Lane begged Drake to take them all home. Drake returned the colonists to England, in July, 1586. Two relief expeditions reached the abandoned colony

[1] "The First Voyage to Virginia," account of the Amadas-Barlow voyage, in *Hakluyt's Voyages*, vol. VIII, p. 306.

only a month or so after Lane's company had departed; the second left fifteen men at Roanoke, provisioned for two years, but all were killed by the Indians.

The Lost Colony

In the following year (1587), the second real attempt to colonize at Roanoke was made. This time Raleigh invited help in his venture, and a group of London merchants and gentlemen associated themselves with him, some of whom actually went as colonists, and were named as "assistants" to White, the governor. It was not Raleigh's intention to try Roanoke again; his orders that the colony be planted on the Chesapeake were disregarded. One hundred and fifty colonists, including women and children, arrived at Roanoke on July 22, 1587, and the events of the next month are all that is known of their history. They suffered from the Indian hostility already created; they found traces of Lane's colony and no sign of Grenville's fifteen outposts; one of the Indian guides was baptized a Christian and called Lord of Roanoke; and a child, Virginia Dare, was born, daughter to Eleanor and Ananias Dare and granddaughter to Governor John White. It was of course necessary that the ships return to England and a controversy arose as to who among the assistants should go along to represent the colony in getting supplies. The whole group petitioned White to go himself.

Though at first resisting this extraordinary request, in the end White showed the same acquiescence as earlier in landing at Roanoke instead of going on to the Chesapeake. On August 27, he sailed for England, and there the certain history of the colony ends. Because of mishaps White did not reach England until November. He found the country in a fever of excitement about the Spanish. Mary Stuart had been executed, and it was expected that Philip would invade England. In fact, it was reported that a great fleet was actually being fitted out in Spanish ports for that purpose. Naturally this was not a propitious moment to press for ships and supplies to relieve the Virginia colonists. Raleigh did manage to send two ships from England, but their crews found excuse to turn back.

It was 1590 before White was able to assemble an expedition of three ships and return to Roanoke, and meanwhile, in March, 1589, Raleigh had turned over his patent to a company in London, so that his responsibility for the colony had ceased. White reached Virginia in August and found no one living at Roanoke, but some personal belongings

"spoyled and broken." He did find, however, indication of where the colonists had gone, according to a plan prearranged with him; "one of the chiefe trees or postes at the right side of the entrance had the barke taken off, and 5 foote from the gound in fayre Capitall letters was graven CROATOAN without any crosse or signe of distresse . . ." Accounts of the "lost" colony lead one to believe that the first rescue expedition scoured the country round about for trace of their countrymen, but the fact is that White never went to Croatan, though the place was near-by and well known, to see whether any of his people were yet alive there. He intended to go, but a series of storms persuaded him to go first to the West Indies for fresh water, spend the winter there, and return to Virginia. Further mishap prevented this, and so the only real chance to find the Roanoke colonists was let slip. Other expeditions came afterward, sent by Raleigh, who had not lost interest either in Virginia or in the fate of his colony, the last one as late as 1602.

In the late nineteen-thirties a series of stones, purporting to bear records made by Eleanor Dare of the wanderings of the lost colony, were turned up over a wide area in the South, some as far from the original settlement as Georgia. For a time they were believed authentic by some well-informed persons, but in the spring of 1941 it was confessed that they were a hoax, engineered by the man who "found" most of them, and was paid for them. Even before that, skeptics wondered how Eleanor had time to carve her messages on stone if the party were being pursued and massacred piecemeal by the Indians.[1]

Roanoke was the last of Raleigh's colonizing ventures in North America, although he tried hard to be allowed to go to Jamestown after that colony was started. Most of his thought and effort for the remaining years of his life were taken up with a tragic attempt to settle and exploit Guiana, on the South American continent. Partly as a result of this failure, Raleigh was executed in 1618 by James I, on a trumped-up charge of treason. Thus in defeat and death ended the efforts of England's first real colonizer.

An Abortive Attempt to Colonize Maine

Before we turn to the familiar story of the Jamestown colony, another brief venture must be mentioned. It was the northern counterpart of Jamestown, organized in the same way by virtually the same people.

[1] For an extended article about this, written before the hoax was discovered, see *The Saturday Evening Post*, April 26, 1941.

Many of the difficulties encountered in colonizing were identical. The difference was that Jamestown managed to survive, while the colony on the Sagadahoc River in Maine was abandoned.

The early years of James I's reign were more favorable for colonization than the close of Elizabeth's reign had been, because of better economic conditions and a temporary cessation of war with Spain. A group of important persons, including Sir John Popham and Sir Ferdinando Gorges, applied in 1605 for a charter establishing two companies for settlement in North America. This petition was granted in April, 1606, when two Virginia Companies, one for London and one for Plymouth,[1] were incorporated. In this patent the territory in which settlement was authorized was defined as that part of America lying between the thirty-fourth and forty-fifth parallels of latitude, "commonly called Virginia." The English conceded that the land south of thirty-four degrees belonged to Spain, since the Spanish were actually occupying it, and similarly that that north of forty-five belonged to France. It may be said that the patent defined for the first time what part of North America it was intended to claim as English territory. To prevent the two companies from colliding, it was provided that the South Virginia (London) Company might settle as far north as forty-one degrees and the North Virginia (Plymouth) as far south as thirty-eight, but that neither was to settle within one hundred miles of the other.

A feature of the patent which proved to be important was the method of government devised. There was to be a council of thirteen in each colony with a president elected from its own membership for the control of local affairs, subject to a larger royal council in England. King James had the right to control the membership and procedure of the royal council as well as to grant land. The main purpose was commercial, for the enterprisers expected to establish a trade in the native products. At the same time two earlier goals were still cherished — the discovery of mines and the search for a direct passage to the Far East. It seems to have been expected that each voyage would be self-liquidating.

Two preliminary expeditions were sent out in 1606 by the Plymouth Company. Only the second of these actually reached the coast of Maine, but so enthusiastic were its reports that in the spring of 1607 two shiploads of colonists (about ninety) were dispatched. They arrived

[1] This Plymouth Company must not be confused with the later settlement of Plymouth, Massachusetts. This name was adopted because a group of the petitioners represented the western English seaports, of which Plymouth was one of the most important. There was a perennial jealousy between the merchants of London and those of the "outports."

in August and set about the establishment of a colony on the Sagadahoc (Kennebec) River. They put up houses, a fort, a storehouse, and a church in the first months, but about half of them returned to England in October with one of their ships. That winter proved to be severe, and the combination of physical hardship, internal dissension, and the death in England of Sir John Popham brought the abandonment of the colony and the return of the survivors the following season. For a good many years after 1608 Maine was left to fishermen and Indians.

The Beginnings of Virginia

The parallel efforts of the Virginia Company of London resulted in the departure, on December 20, 1606, of three vessels, the *Sarah Constant*, *Goodspeed*, and *Discovery*. As usual the West Indian route was followed so that Virginia was not reached until April of 1607. After some looking about in Chesapeake Bay, it was decided (for reasons obscure to the modern visitor to the place) to plant themselves at the spot on the James River which became Jamestown. This original group of colonists numbered scarcely more than a hundred, and were of the same rough adventurous type which had figured in earlier attempts. John Smith's opinion of the sort of men sent out in this first group and later may be judged from a letter to the Treasurer and Council in England:

> When you send againe I entreat you rather send but thirty Carpenters, husbandmen, gardiners, fisher men, blacksmiths, masons, and diggers up of trees' roots, well provided, then a thousand of such as we have: for except wee be able to lodge them, and feed them, the most will consume with want of necessaries before they can be made good for any thing.[1]

The Jamestown site, long abandoned to washing by the river, is now protected. A private society first uncovered foundations of church and houses. Recently the federal government undertook extensive digging which has recovered large numbers of utensils, weapons, and other relics of eighty years of occupation by colonists before the settlement was removed to the "Middle Plantation" (Williamsburg). The celebrated church tower belonged to the third building on the spot. A statue of Captain John Smith dominates the scene with another of Pocahontas. The location was and is swampy, malarial, and unsuitable, especially since the dense woods behind gave cover for Indian attack.

[1] John Smith, *The True Travels, Adventures and Observations of Captaine John Smith in Europe, Asia, Africke, and America:* ... Richmond, 1819, from the London edition of 1629, vol. II, p. 202.

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FOUNDATIONS AT JAMESTOWN, VIRGINIA

The system of government to be set up was the same as that tried in the Sagadahoc settlement: two councils, one in England and one in the colony. The local council provided an opportunity for endless bickering and trouble; it was not yet realized that strong executive control in the early stages was necessary to colonial success. Even more serious obstacles were illness, which by the end of the year had carried off two thirds of those who landed in April; and the old notion that the colonists could safely depend on supplies from England and need not try to produce their own food.

For more than two years matters at Jamestown went very badly indeed. Two voyages of supply and reinforcement from England and the good sense of John Smith prevented complete disaster. Before long it was evident to the company in England that one powerful and responsible governor should be appointed. It was proposed to send out families as well as single men — the first time, except for Raleigh's "lost" colony at Roanoke, that the settlement of families was contemplated. A new charter was secured, May, 1609, establishing the Virginia Company. This charter created a joint-stock company, the colony to be controlled by a treasurer and stockholders' council in England, through a governor, their deputy, in the colony itself.

Following the issuance of the new charter, an effort, only partly successful, was made to interest the investing public in the venture. Lord De la Warr was unable to go to Virginia for nearly a year after his appointment as governor; in fact, he did not arrive until June, 1610. Meanwhile, as was natural, there had been confusion and contest in the colony. John Smith, who had been president of the council, returned to England in 1609, and affairs remained upset until De la Warr's arrival the following year. By that time the colonists had come so close to starvation that they had decided to abandon the enterprise, and had actually embarked for home. De la Warr met them at the mouth of the river and ordered them to return to Jamestown.

Even after this intervention of Providence, matters did not improve much for another year. Sickness and death continued, De la Warr himself fell ill and had to return to England in 1611, and the supply of food was still short. But in the spring and summer of 1611 fresh supplies and additional colonists arrived, the latter better material than the first groups. By 1612 a new charter expanded legal powers of the company and gave the right to hold lotteries for the raising of funds, since voluntary subscription had proved woefully inadequate.

In the charter of 1609 it had been provided that, for seven years, land in the colony was to be held and worked in common and that the settlers were to be fed from a common storehouse. This was the natural way to begin any enterprise, particularly one of this highly dubious nature (we shall find that the Plymouth Colony adopted the same device), but there was much criticism of it by John Smith and others. We cannot say whether the communal plan would have worked with colonists of a different sort; at any rate, it worked badly at Jamestown. By 1613 the system was modified to allow settlers small tracts of land for their own use; this opening wedge of private property was an improvement.

When the seven years stipulated by the charter had expired, landholdings were offered to the company's subscribers at the rate of fifty acres for each investment of £12 10*s*. A year or two later began the system of acquiring land through "headright." This meant a grant of fifty acres per head of those going to the colony, though not necessarily fifty acres to each one individually; that is, a father who transported himself, wife, two children, and two servants to Virginia would receive a grant of three hundred acres, but none of those in his family group would have any rights as individuals. This system was continued until almost the end of the century, when it was abolished because of abuses.[1]

[1] See Philip Alexander Bruce, *Economic History of Virginia in the Seventeenth Century*, vol. I, chap. VIII, pp. 487–571.

Finding a Cash Crop

More important even than the shift from joint management to private ownership was the development of the characteristic way of making a living in Virginia. The current passion for looking for mines, existing meanwhile by "supplies" from England and buying food from the Indians, died hard, yet it became evident that any permanent settlement must be organized on a different basis. Some of those connected with the venture — including John Smith as well as members of the Company in London — saw that it would be necessary for the colonists to grow their own food and to develop the varied resources of the new country if the Company was ever to realize anything on its investment.

For some time many products were encouraged, including things not indigenous to Virginia. A list of prices of certain articles of colonial trade in 1621 gives a notion of what the Company expected:

Iron	£10 a ton
Silk-grass for cordage	sixpence a pound
Hemp	10 to 22 shillings per 100 pounds
Flax	22 to 30 shillings per 100 pounds
Cotton	eightpence a pound
Pitch	5 shillings per 100 pounds
Tar	5 shillings per 100 pounds
Turpentine	12 shillings per 100 pounds
Salt	30 shillings per 100 pounds
Sarsaparilla	5 shillings per 100 pounds
Masts for shipping	10 to 15 shillings each
Pot ashes	35 shillings per 100 pounds
Pipe (barrel) staves	£4 per 1000
Walnut oil	£12 a ton
Honey	2 shillings a gallon
Wax	£4 per 100 pounds
Sumac	7 shillings per 100 pounds [1]

The list also includes quotations for various kinds of furs (sable, otter, marten, wildcat, fox, muskrat, and beaver), but does not include two of the products most insistently urged — wine, and silk from silkworms.

Most of these products required skills not possessed by the colonists, so none became important to the economy of Virginia. The product in terms of which the early economic history of the colony can be writ-

[1] This list appears in "Virginia Richly Valued," in *Force's Historical Tracts*, vol. III; Bruce, *op. cit.*, vol. I, p. 262.

ten is tobacco. Knowledge that the soil of Virginia was peculiarly adapted to tobacco-growing dates back to the spring following the arrival at Jamestown. British Colonial State Papers show that in the spring of 1608 the prediction was made that by the end of that year Jamestown would be producing tobacco worth five thousand pounds. If the more fundamental struggle for existence had not prevented, the prophecy might have been borne out. The idea was suggested by the tobacco seen in possession of the Indians.

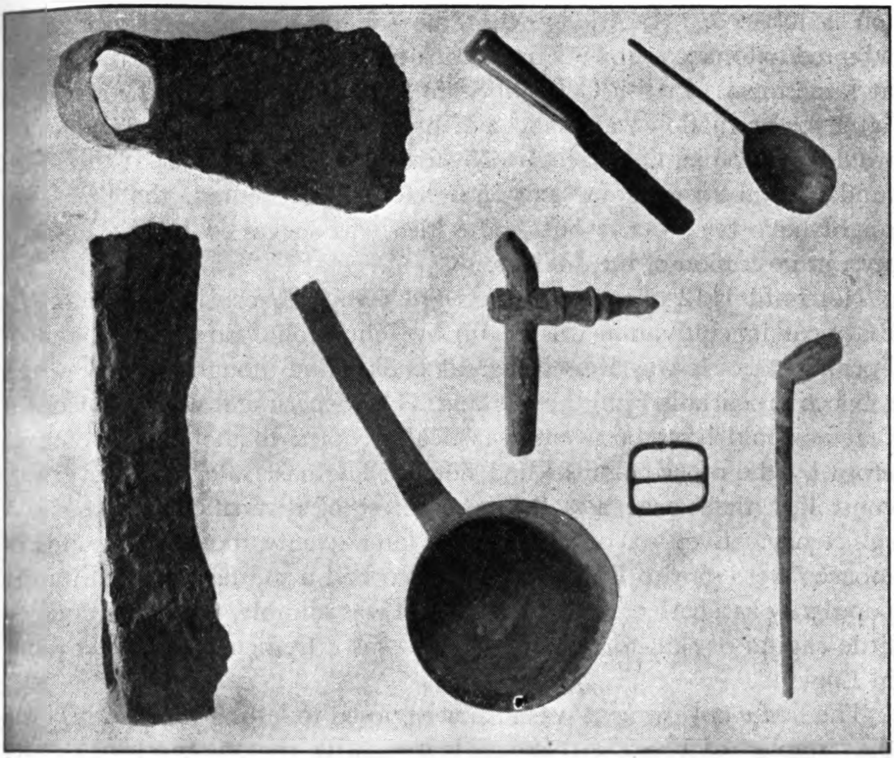
Not until 1612 did the colonists grow any tobacco in Virginia. In that year its cultivation was begun by John Rolfe, English husband of Pocahontas. He was himself a great smoker and thought meanly of the tobacco procurable from the Indians. The experiment was so successful that it would have been enthusiastically copied to the neglect of food crops by the other colonists had not Sir Thomas Dale, then governor, controlled their eagerness in the interest of diversification and self-sufficiency. Even so, only five years later twenty thousand pounds of tobacco were sent to England. Tobacco had a sudden and continuing popularity as a cash crop because the soil was suitable, the plant required little capital or skill to raise, and there was a tremendous market for it in England.

The home government was at first opposed to letting tobacco become the "staple" of Virginia. It was feared, with reason, that the colony would no longer grow enough food to subsist. It was thought at the time that greater profit could be made from a diversified economy, and the members of the Company (many of whom had influence at Court) were concerned about their investment. A less important reason was the opposition of both James I and Charles I on semi-moral grounds.

Importance of Tobacco in Virginia

For a hundred and fifty years after the sixteen-twenties tobacco was the most important single factor in the economic history of Virginia. The fortunes of the settlers, the form of social organization developed, the treatment of the soil itself, and the colony's relations with the mother country were all determined primarily by the fact that tobacco was the only cash crop. It was the medium of exchange in Virginia to the practical exclusion of money.

The economic forces which made tobacco the staple crop proved stronger than attempts at crop regulation. The colonists shared with all pioneers a standard of living acquired in an older community, one



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UTENSILS FOUND AT JAMESTOWN SITE

calling for manufactured articles not available on any frontier. Here was a strong motive for discovering a cash crop. Products other than tobacco which could easily be obtained in Virginia were unprofitable for one reason or another. But, as Craven observes:

> The yield of tobacco per acre was high, its keeping qualities good, and its weight, when ready for shipping, comparatively low — advantages great indeed where every acre of land had to be painfully won from the virgin forest, and where markets lay far across a stormy sea. Tobacco alone could stand the long journey, pay the high costs of transportation, and still return a profit to its producer. Furthermore, labor, always scarce, could be concentrated upon a smaller acreage with greater returns from each laborer, and thus also afford a sufficient supply of hands in the winter to clear the new lands needed for future crops.[1]

[1] Avery O. Craven, *Soil Exhaustion as a Factor in the Agricultural History of Virginia and Maryland, 1606–1860* (University of Illinois, *Studies in the Social Sciences*, vol. XIII, no. 1, 1926), pp. 30–31. Used by permission of the publishers.

The settlers, of course, got their first knowledge of growing tobacco from the Indians. The modern method is to sow broadcast in a small, rich bed, and transplant seedlings to the big field, at regular intervals. The Indians and colonists, however, sowed seed properly spaced in the field to begin with when the ground had been prepared. They cultivated by hand tools, partly because there were few plows in the colony and those few extremely poor, and partly because time was not taken to remove stumps from newly cleared land before a tobacco crop was planted. Spade and hoe agitated only the top few inches of soil, and the heavier subsoil remained untouched; this encouraged erosion and speeded the taking-up of new lands. The planter expected not more than three or four crops of tobacco from new land, after which it was used for corn or wheat as long as possible and then abandoned to pine or whatever else would volunteer. The colonists did not copy the Indian method of curing tobacco by the heat of a fire. The white men for many years simply let the harvested plants lie in the field to be dried by the sun; later they began to build tobacco-houses in which the leaves, strung on lines, were hung.

In the early years of tobacco-raising in Virginia production increased rapidly. The most reliable figures [1] are as follows: crop in 1618, 20,000 pounds; 1620, 55,000 pounds; 1627, 500,000 pounds; 1639, 1,500,000 pounds; 1688–89, 18,157,000 pounds; 1699–1709, annual average 28,858,666 pounds. Figures for export after 1700 cease to show such rapid growth, fluctuating around 35,000,000 pounds, but rising in the fifteen years before the Revolution to an annual average of 55,000,000 pounds.

The most profitable years in the tobacco history of Virginia were those before 1660. By that time it had been demonstrated to the home government that trade in tobacco could be as advantageous to the Crown as it was to the planters. Official opposition had so far changed that when, in 1662, the colonists asked for the prohibition of all planting for the next year (to give the price a chance to recover), the King promptly rejected the request, and orders were given that no similar document was ever to be presented again. Duties and restrictions varied from time to time, but as early as 1619 a customs duty was paid on Virginia tobacco, in return for restriction of importation of the Spanish product into England and the prohibition of growth of the plant in England itself. After the British attempt to limit the total amount admitted from Virginia and Bermuda together to fifty-five thousand pounds, Virginia

[1] Tenth Census of the United States (1880), vol. III, *Statistics of Agriculture*, p. 224. Pages 212–24 give an excellent account of early Virginia tobacco culture.

colonists tried to remedy the situation by finding a market for their tobacco in Holland. The answer to this move was to require all colonial tobacco to be shipped to England first for payment of duty, whatever its ultimate destination might be.

Following the peak years of profit from tobacco there was prolonged and serious depression for its planters. Several factors were responsible, among which the burden of the Navigation Acts and the low price of tobacco because of the large quantities grown were only the most obvious. Land was rising in price because of wasteful methods of cultivation and soil exhaustion. Thus, the Virginia planter had to continue to grow his one crop at a steadily increasing cost of production, to be sold for a progressively lower price. The costs of marketing the crop were high — freight charges, commissions, warehousing, and so on; and it was frequently charged that the merchants gouged the planters. Their grievances were presented to Parliament in 1732 in a famous pamphlet, *The Case of the Planters of Tobacco in Virginia.* After that year the common condition of tobacco-growers, both in Virginia and in Maryland, was to be in debt. Even "rich planters" found difficulty in meeting their obligations, although they maintained a lavish scale of living. Ultimately, at the end of the colonial period, the situation forced greater diversity in economic development.

Problems of Labor Supply

From the first, the scarcity of labor was a serious problem in the colony. For fifty years the colonists depended on indentured white servants who reached Virginia under a variety of circumstances. Some went voluntarily, signing over their labor for a period of years in return for passage to the colony. Others were "spirited" on board ships bound for Virginia, taken without their own consent. And some were convicts, sentenced to be transported because England wanted to be rid of them. In any case, when they reached Virginia, colonists in need of labor bought their services for the price of their passage plus a profit to the shipowners.

For a number of reasons, indentured whites were never an adequate labor supply. In the first place, the total number sent by all methods was insufficient, especially after the colony's population really began to increase. In the second place, it took some time to acclimate Englishmen to conditions of labor in Virginia. The summer climate was much hotter than anything they had experienced, the location of the first set-

tlements was none too healthy, and the cultivation of tobacco required intensive labor in summer. Not many years after a servant became inured to conditions, the terms of his agreement freed him, and the planter was back where he started. Negro slaves finally provided the answer to this dilemma. A Dutch ship has the dubious distinction of having brought the first lot of African slaves to Virginia in 1619; and, although at the end of the next thirty years the number of Negroes in Virginia was only about three hundred, the slave traffic increased enormously after that. To the tobacco planter the Negro slave represented a fairly large fixed investment, but one which continued to yield a return year after year when the period of acclimatization and learning the work had passed, since the slave was purchased outright and not merely bound for a period of years. Negroes could be easily taught the simple things that were required of them, and their labor was at least as efficient as that of indentured servants, who had no compelling motive to be anything but timeservers. The long-run economic effects of a system of slave labor, however, are quite another matter.

Commoners Among Cavaliers

Representative government began in Virginia in 1619, when, by order of the Virginia Company, the first legislative assembly in America was convened at Jamestown. It consisted of the governor and his council and two representatives from each of eleven plantations or settlements, called burgesses. Ultimately the burgesses met separately from the governor's council, and the assembly thus took the characteristic form of two houses which became an American tradition.

The Virginia Company attracted unfavorable notice from James I at home, and even on occasion dared to disregard his advice, as in 1620 when Sir Edwin Sandys was elected treasurer against the express wish of the King. James was in conflict also with Parliament, and many of its members were stockholders of the Company. For these and other reasons the King decided to deprive the Company of its political powers. "Evidence" was secured of the Company's inefficiency, and, although the move was opposed by the colonists, the charter was revoked in 1624. Virginia was henceforth a royal province, and all unsettled lands included in the charter reverted to the Crown.

During the Civil War in the mother country, Virginia was loyal to the Stuarts. The execution of Charles I was denounced by governor and assembly, who recognized Charles II as rightful ruler, and the colony

became a refuge for Cavaliers. In retaliation, Parliament passed a law in 1650 prohibiting trade with Virginia, and two years later actually sent a naval expedition to demand surrender. The colony profited by acquiescence, for its powers of self-government were increased; the only signs of defeat were that Berkeley, the governor, was dismissed and toleration for Puritans was imposed. Until the Restoration, Virginia governed herself through the House of Burgesses which chose governor and councilors.

In the years immediately following 1660 unrest in Virginia grew to serious proportions, largely because of the economic situation. Berkeley, restored as governor, became extremely autocratic; Charles II behaved as though the province were a royal estate, granting parts of it to various favorites, with proprietary rights. Poor crops and wars with the Dutch lowered the price of tobacco, while taxes and prices of the imported manufactured goods rose. Combined with the effect of the Navigation Act of 1660, these things ruined many small landowners to the relative advantage of those with larger holdings and made for a social division not existing before. Matters came to a head over Berkeley's refusal to give dwellers on Virginia's frontier military protection against the Indians, who began a series of raids in 1675. Nathaniel Bacon headed an unauthorized citizens' expedition against the Indians, which in effect championed people's rights against governor and ruling class. "Bacon's Rebellion" was the first expression in the colonies of social cleavage.

The eighteenth century in Virginia was marked by the substitution of slave for white labor and by the beginnings of westward expansion. Governor Spotswood's famous expedition of 1716, with the "Knights of the Golden Horseshoe," a sign of real interest in what lay beyond the Blue Ridge, meant the opening of a new frontier.

Beginnings of Maryland

Virginia's nearest neighbor, Maryland, was settled under proprietary patent from Charles I to the Calverts, a Catholic family esteemed by both Charles and James I. Sir George Calvert, the first Lord Baltimore, had an early interest in colonization and made an unsuccessful attempt in 1627 on a royal grant of land in Newfoundland. The patent for lands farther south was issued in 1632, but was transferred to a son, Cecilius Calvert, on his father's death in that year. The territory ran from the mouth of the Potomac north to the fortieth degree of latitude

and westward from the Atlantic to the headwaters of the Potomac. All this land had been included in the original grant to the Virginia Company, which fact led for a time to friction between the two colonies.

By the charter the proprietor was given extensive rights of government and absolute ownership of the land, to dispose of as he saw fit. No taxes were owed to the home government, and the only restrictions on proprietary power were a requirement that the laws be in conformity with those of England and a provision for a representative assembly of freemen. The first group of between two and three hundred colonists settled at St. Mary's, on a tributary of the Chesapeake, in March, 1634. There were no such serious setbacks of disease and starvation as the settlement at Jamestown had endured; the spot was more healthful, some land already cleared by Indians was used to raise a crop the first season, and supplies were available from the colonies already planted. The second Lord Baltimore was never able to visit the colony, contrary to his original intention. He remained in England to defend his charter against attack from Virginia, making his brother Leonard governor of the colony in his stead.

Originally intended as a New World refuge for Catholics, it was found that few were eager to emigrate to Maryland, since their condition was improved under the first two Stuart kings. Religious toleration, except toward Jews, was practiced in the colony from the outset, partly for principle's sake and partly to attract settlers. By a Toleration Act of 1649 all those who professed a belief in Christ were to be free from molestation. Puritans from Virginia were thus attracted to Maryland, and a number of Quakers came also. Later an influx of German Protestants into northern and western Maryland gave these districts a character of thrift which they never lost.

The colony experienced the familiar friction between the interest of proprietors and the wider welfare of the people. The feudal attitude of regarding the province as a private estate, to be exploited as such, was totally unsuited to the spirit and conditions of a newly settled territory. There was also antagonism between the various religious interests represented. These things combined to bring actual hostilities in Maryland after the news of the Revolution of 1688 reached there, although Lord Baltimore had promptly recognized William and Mary and sent word to that effect to the colony. The proprietary government was overthrown and Maryland became in 1691 a royal province. However, at no time were the Calverts deprived of their rights as landlords. Quitrents and import and export duties were still collected by them, at least in part.

The fifth Lord Baltimore, in 1715, contrary to the current colonial policy, was restored as proprietor of Maryland. He and his son remained in power to the end of the colonial period.

Economic Life in Maryland

Economic development in the earliest settled parts of Maryland paralleled that in Virginia. The staple crop was tobacco, since tidewater Maryland was even better suited to its culture than was tidewater Virginia. The same wasteful methods of land use were practiced, the same scarcity of labor experienced. This problem was met, inadequately, before 1700 by the use of indentured white servants. There was never a sufficient supply of these, as has been said, and as they gained their freedom many of them took up landholdings and became prospective employers of labor. Both in Virginia and Maryland in the seventeenth century most farms were small and free yeomen numerous; there were few large estates and few slaves. After 1700, slaves were imported in vastly greater numbers, with striking economic effect. Free white labor was so scarce that it offered no competition to the use of blacks. Small farmers found difficulty in buying enough slaves to raise tobacco profitably, already hard because of an export tax and prohibition of direct shipment to continental European ports.

Some of the small farmers acquired land and slaves, by struggle, and became large planters. For the majority, however, there were three choices. One was to migrate to other colonies, and this many of them did, going, say, from Maryland to Pennsylvania and from Virginia to North Carolina. Another was to migrate westward, and this movement resulted in a new frontier for all the southern colonies. The third and least happy possibility was to remain where they were, sinking farther into poverty. Thus, the introduction of slavery on a large scale produced the class of "poor whites" in the South.

Later some of these landless men went to the towns, as they developed. In Maryland there was no town of any size until after the middle of the eighteenth century. Baltimore was founded in 1729; its growth at first was slow, although it finally became the colonial rival of Philadelphia as a port. Maryland west of the Chesapeake before the mountains are reached had a development different from anything in Viginia, partly because the land was more fertile than in the corresponding part of Virginia and partly because the settlers, mostly German, were more industrious. The farms there resembled the prosperous ones in neighboring

Pennsylvania in having diversified crops. The settlement of the Maryland back-country contributed to the growth of Baltimore. There was no similar development in Virginia until the streams of German and Scotch-Irish settlers began to reach the Valley of Virginia, beyond the Blue Ridge.

References for further reading will be found at the end of Chapter 7.

Chapter 3

The New England Colonies

THE FIRST OF THE NEW ENGLAND COLONIES settled after Virginia was much less directly a part of commercial development than was its southern predecessor. It originated with a small group of religious nonconformists whose life in England was so uncomfortable that, during the first precarious years of the Jamestown settlement, some of them were trying to achieve a satisfactory life in the tolerant but alien atmosphere of Holland. There they found, from 1608 to 1620, complete religious freedom, yet disadvantages enough to make them eager to find a second new home. It was hard to keep alive in their children English speech and traditions, and the younger generation showed a less devout religious attachment. Economic opportunity was probably poorer than it had been in England, and the Pilgrims were aware that Holland might come again, by conquest, under the intolerant control of Spain. Then, too, reports had been filtering through to them of the Virginian experiment in America, and suggested to these exiles the possibility of a really new start overseas.

The Virginia Company, in financial difficulties, was offering special inducements to other groups interested in colonization, either by going themselves or by sending tenants to settle and establish plantations. The Leyden group finally decided to apply for land within Virginia, hoping to set up a sort of autonomous unit within the colony and to obtain for themselves the right of religious toleration. Negotiations with the Company and King James were begun, and after vexatious delays a patent was obtained in June, 1619, under which the Pilgrims might establish themselves on a plantation in Virginia. But before definite steps could be taken, there appeared in Leyden Thomas Weston, the representative of a group of merchants who had obtained another such patent from the Company. Weston urged that the Separatists of Leyden use this patent rather than their own, employing the powerful argument that the merchants whom he represented would finance the undertaking. In the summer of 1620 an agreement was made between the two groups,

creating a voluntary joint-stock organization for the projected settlement.

This Company differed from the Virginia Company in that it consisted of two distinct parts, one in the colony and one in England. (In the case of Virginia, as we have seen, the entire Company remained in England and administered the colony from there.) Within this venture of the Pilgrims three interest groups were recognized — those who remained in England and contributed only money to the enterprise; those who went to the colony with their labor only; and finally those who went to the colony and worked there, but who also put in money. The English and the American parts of the Company each had its own organization; in the colony the chief official was a governor elected by the group. Plymouth was more nearly self-governing than was the settlement at Jamestown, since the company of adventurers who remained in England had no control over civil affairs in the colony.

From the first there was a sharp cleavage of interest between the two parts of the Company. The merchants in England, naturally, looked upon the matter as a business venture only, and after a preliminary seven-year period had expired, insisted upon such provisions as half-ownership in the lands and houses of the colony. According to the terms of the joint-stock agreement, capital and profits were to be held jointly for seven years, after which time they were to be divided proportionately among the partners in England and the colony. It was at one time intended to allow each colonist two days of each week to work for himself, but this was revoked before sailing — each man was obliged to spend his entire week working for the group as a whole. Indeed, it is difficult to know what he would have been able to do on the two proposed free days during the seven years when all capital, including lands, houses, animals, goods, and chattels, was jointly held. It hardly need be said that the interest of the Pilgrims, as opposed to the business preoccupation of their London backers, was primarily religious. Although a goodly number of those who finally went with the expedition were not Separatists (being either lukewarm Church of England members or servants and hired workmen), it was the religious element which was vigorous and articulate and which gave the group its color and direction.

Settlement Begun at Plymouth

The expedition finally set sail from Plymouth, England, in September, 1620. The total ship's company numbered one hundred and forty-nine, of whom forty-eight were officers and crew. Of the remainder, thirty-

five came from Leyden and sixty-six from England, London or Southampton, chiefly. There were thirty-one children, some belonging to family groups and some sent as individuals by the London backers. The voyage on the *Mayflower* lasted more than two months, from September 16 until November 19. When land was finally sighted, it was discovered that the party was considerably north of Virginia, which was the intended destination. Attempts were made to continue the voyage to the south, but such difficulties were encountered that it was decided to find a suitable landing place on Cape Cod, where they found themselves. By late December, Plymouth had been selected, the erection of a settlement started, and a beginning made in transferring people from ship to shore.

At Jamestown the largest number of deaths in the struggling years had been during the summer, chiefly because the settlers were not used to the hot, damp weather. At Plymouth, on the other hand, the great mortality occurred during the winters. This was not wholly because of the rigors of the climate, for the first winter was mild; disease, probably scurvy, carried off half the company in 1621. Even with many deaths, however, the colony gradually increased in numbers by immigration. By 1637, the population is said to have been 549.

One of the first problems of the Plymouth settlers was that of legalizing their presence on the land they occupied, since the patent under which they had expected to operate was issued by the Virginia Company. Plymouth was included in the jurisdiction of the reorganized Plymouth Company, now known as the Council for New England.[1] In June, 1621, the London associates obtained from the Council a new patent, similar to the one issued by the Virginia Company. This was not a definite grant of land, but it allowed to the settlers one hundred acres for each person transported, with fifteen hundred acres for public use, to be taken up in an otherwise uninhabited area. Boundaries were not defined until later.

Thus, the Plymouth settlement was conceived of as a plantation within lands belonging to another body, not as a separate colony with any direct relation to the Crown. It was the intention of the Council for New England to appoint, eventually, a governor-general over all settlements that might be made within the territory; such rights of self-government as the Plymouth settlers possessed were local only. The famous Mayflower Compact, far from being a bill of rights or the palla-

[1] The name "New England" probably derived from John Smith's map of the region, dated 1614.

dium of liberty in New England, was drawn up at sea and presented for signature to insure control by the Separatists (who were probably a numerical minority) after landing. While at sea there had already been some murmurings in opposition to their leadership and they were anxious not to endanger their project.

Later Development

The characteristic method of making a living in the Plymouth colony, first and last, was agriculture. Added to this, subordinate but still important, were trade and fishing. Socially the colonists were much more homogeneous than had been true in Virginia. Nearly all of them came originally from the farming population, though some of the Leyden group had turned to other occupations in Holland. The dominant religious group were really more interested in the things of the spirit than in the accumulation of wealth, so much so that without the powerful economic motive developed in the course of events, the colony would have prospered much less rapidly.

We have pointed out the incompatibility of the business interests of the London associates and the religious preoccupation of the settlers. This rift became more apparent as time passed, particularly since some of the Londoners were hostile to Separatist notions. The common experience of large financial outgo and practically no income was irksome to the home partners, who had serious disagreements among themselves, and after 1624 no supplies were sent to the colonists. The situation was mutually unsatisfactory, and in 1626 the Pilgrims agreed to buy out their London partners. Eighteen hundred pounds were to be given for the shares held outside the colony, to be paid at the rate of two hundred pounds per year; in addition, a debt of the Company amounting to six hundred pounds was assumed.

In order to meet this heavy obligation, the leaders of the colony, headed by Governor Bradford, formed themselves into a sort of subordinate company for the management of the colony's trade, until the debt should be paid. Fishing and fur-trading with the Indians were the sources of profit. They encountered various difficulties, including the stupidity, if not dishonesty, of an agent. Bradford and his group held control of trade until 1639, and not until 1648 was the debt completely discharged. The whole thing was a severe strain on the community, but it is difficult to see what other course could have been followed to

the satisfaction of either the London backers or the independent desires of the settlers.

As the colony prospered, its population grew and also spread out geographically, especially to the north. Meanwhile, as we shall see, the region around Massachusetts Bay was being settled by the great Puritan migration, which spread southward so that the two groups became close neighbors. This fact, with the greater size and greed of the Massachusetts Bay settlement and the beginnings of a definite "colonial system" on the part of the mother country, led to the annexation of Plymouth colony by Massachusetts Bay in 1691. Never legally a separate colony anyway, from that point on its history is merged into that of the larger province.

Massachusetts Bay Company Formed

During most of the early years of struggle of the Plymouth colony, unsuccessful attempts were made to the north to exploit the fisheries off Cape Ann. These efforts by a group in Dorchester, England, were the forerunners of the successful plantation of the Massachusetts Bay Colony. The Dorchester men, led by the Reverend John White, joined with other groups to enlarge their original design into one for colonization, with the primary motive a religious one. The groups were all composed of Puritans who found themselves irked by practices current within the Church of England and who wished to return to a "purer" form of worship. The interested parties first came together about 1627, resolved to patent land for "planting of the Gospell" in New England. Two years later the King chartered the Massachusetts Bay Company, with lands extending from three miles north of the Merrimack River to three miles south of the Charles River (say from the present northern line of Massachusetts to Boston) and west to the South Sea (Pacific). The first settlement was at Salem. The persons to whom this charter was issued differed in a most important respect from the settlers at Plymouth. A large number of them were men of substance, and that fact influenced the later social and economic history of the colony.

In one particular, the Massachusetts Bay Company was unique; the Company itself, officers and charter, was removed overseas to the colony. A group of strong Puritans in England, who felt that their prospects in that country were poor and growing worse, became seriously interested in transporting themselves and their families permanently to the Massachusetts colony. Under the leadership of John Winthrop, they made

an agreement in August, 1629, to leave England for Massachusetts by March 1, 1630, "Provided, always that before the last of September next the whole government together with the Patent for the said plantation bee first by an order of court legally transferred and established to remayne with us and others which shall inhabite upon the said plantacion." This startling provision was decided upon because Winthrop and his group realized that, if the Company were an open joint-stock undertaking in which anyone was free to buy stock, whatever his religious opinion, the Puritans of the colony might come under the irksome control of persons opposed to their views and the character of Massachusetts as a religious refuge would be lost. In October, the governor and deputy governor of the Company resigned, and Winthrop (who had previously not been even a member) was elected governor.

The Puritan Migration

These transactions cleared the way for what is known as "the great Puritan migration" to Massachusetts. A good start had already been made in April, 1629, when five ships carrying between two and three hundred people had arrived from England. A year later, eleven ships with a total of about seven hundred passengers set sail within one month, the first of them carrying Winthrop and the charter. Before the end of 1630, six more ships had brought the total of immigrants in that year up to one thousand. Migration on this comparatively large scale continued throughout the decade that followed. Of course all the emigrants from England at this time did not go to Massachusetts; many of them went to the West Indies and to Bermuda, as well as to Virginia and Maryland. But Massachusetts was the Puritan stronghold, and the years between 1630 and 1640 witnessed great growth of the Puritan movement in England. Their position in the mother country was still difficult, for the armed rebellion against Charles I had not yet begun. Many thought migration not only the happiest but the safest course. Professor Andrews gives the estimate that "in the years from 1630 to 1643 nearly two hundred ships . . . left England for Massachusetts, at a cost for furnishing, equipment, and transportation of £200,000, bearing not less than 20,000 people, constituting perhaps a third of those who left England during these years."

Sir Ferdinando Gorges, head and guiding spirit of the Council for New England, had no wish to oust the Puritans, but he did want to have their charter revoked and to have the Puritans hold their land of

him. However, by 1639 this active danger to the Massachusetts Bay colony was over. Gorges had to content himself with attempts to develop Maine. No significant progress was made during his lifetime, and in 1652 — five years after Gorges' death — Massachusetts assumed jurisdiction over the few Maine settlements. This arrangement was continued until 1820.

A large part of the history of seventeenth-century Massachusetts is taken up with quarrels between the colony and the home government. More independent than any of the other colonies, there was continual resistance to royal control of any kind. One of the difficulties was disregard of the Navigation Acts during the Civil War in England. In this period trade and commerce saw great development, and the mother country was unable to enforce the restrictive acts. The attempt to do so after the Restoration was, naturally, resisted. Massachusetts' aggressive policy of annexing her neighbors also made for bad feeling and for protests to the government at home. Commissioners of inquiry sent over by the Crown were antagonized by the Massachusetts men, who said that the laws of England did not "reach to America," and that the King was trying to encroach on charter rights and self-government. As a result of these disputes the Massachusetts charter was revoked, and in 1691 the colony became a royal province, which it remained until the Revolution.

Land for towns in New England was taken up by grants to groups or individuals made by the General Court in Massachusetts. Such grants were for considerable areas; "towns" often consisted of forty square miles. The grantees were required to take up the land within two or three years and to settle a specified number of families on it. The custom of forming compact settlements, with cultivated fields outlying, tended to produce division of labor. Thus a blacksmith, for example, was more likely to find opportunity to ply his trade in a village than between isolated farmsteads, such as those to the south.

Agriculture was, of course, the backbone of New England. Farms were small and were worked by owners and their families. Slavery could not take root on a large scale. Farming was for subsistence, owing to the character of the crops and the soil. The farm was a subsistence unit in a larger sense, too, for imports of manufactured goods into rural New England were never large in the early days, since household crafts supplied most of the articles required. Other occupations, at first chiefly extractive, were also important. Fishing and lumbering led to shipbuilding and trade. Indeed, fishing may be said to have furnished the

basis for the distilling of rum, the slave trade, and for commerce with Europe and the West Indies. After France gave up Nova Scotia in 1715, Grand Banks fishermen used that coast for drying their catch. From this time on there was a marked increase in fishing; by the middle of the century, Massachusetts alone had about four hundred ships engaged, with six thousand men and an annual catch worth $750,000.

Colonial shipwrights offered competition to those in England because costs were so much lower in America. The supply of masts for the royal navy was still important in this period. Rum was basic to the slave trade, though much was also consumed at home. Massachusetts and Rhode Island especially engaged in distilling; by 1762 Newport had twenty-two distilleries, and one and a half million gallons were made in New England in 1750.

The Founding of Rhode Island

One of the prime difficulties encountered in Massachusetts Bay was dissent within its own fold. When the Puritan exodus from England began, it was of course not known that these migrant nonconformists were to prove, in their new home, more conformist and intolerant than anything they had left behind. So the new colony found within its ranks some to disapprove its religious and political practice. The more articulate of these dissenters were expelled when they proved troublesome, and from this came ultimately the third of the New England colonies, Rhode Island.

Every grammar-school child knows that Roger Williams was expelled from Massachusetts Bay for matters of opinion. Pastor in Salem, he had no use whatever for the Church of England (being himself at this stage most intolerant); he resented Crown claims to the land in Massachusetts; he insisted that magistrates of the colony had power over civil offenses only, with no authority in religious matters. Although Williams was personally popular, his ideas were sufficiently troublesome for the General Court to issue against him a decree of banishment in 1635. He eluded capture and with a single companion made his way through the winter woods to a refuge with friendly Indians. After an abortive attempt on land belonging to the Plymouth colony, Williams and several others started the plantation that became Providence. Williams bought the land from the Indians and parceled and sold it on equal terms to settlers.

Meanwhile, others of force and determined speech were having their

troubles with the Bay authorities. Anne Hutchinson, a feminist in an age when women were much repressed in expressing their views, became the spearhead of a whole school of dissenting theological opinion. Like Roger Williams two years before, Anne, with her most outspoken adherents, was banished in 1637. After a short stay at Providence, members of the Hutchinson party soon founded Newport, which promptly became prosperous through trade, and such other places as Portsmouth, Pawtucket, and Warwick were settled.

Pressure from without, in the form of claims by both Plymouth and Massachusetts Bay, was necessary to force union of the Rhode Island settlements. Since the Indian deeds did not suffice in the face of threats from the other colonies, Williams went to England and obtained a patent for Providence Plantations, including Portsmouth and Newport. The government set up under this patent in 1647 was a loose federal one, strange though this seems when the whole area of Rhode Island was so small. Lack of cohesion within invited outside attacks. Almost twenty years passed until Charles II confirmed the patent given to Williams and jealous neighbors greedy to swallow up Rhode Island were compelled to withdraw. Boundary disputes with Massachusetts and Connecticut continued, however, until the middle of the next century.

Rhode Island took its pattern largely from its proximity to water. Agriculture was important, of course, but trade shortly became the lifeblood of the colony. Two things characteristic of maritime Massachusetts were largely absent — shipbuilding (which had, however, been developed by Revolutionary times) and fishing, which was not good in contiguous waters.

Westward Expansion Reaches Connecticut

Almost simultaneously with the founding of Rhode Island began the westward expansion of the colony of Massachusetts Bay. Before very long a part of that movement had split off and become a separate colony, Connecticut. As early as 1632 a few hardy white men had gone exploring and trading a hundred miles west to the Connecticut River Valley and brought back tales both to Plymouth and to Massachusetts Bay of the rich and extensive meadow land to be found there. Although Plymouth established a trading post, there was no move to migrate for settlement until 1635, but by the end of the following year the trek to the west had gained in proportions. The reasons for wishing to leave the Bay were twofold: some doctrinal and political differences with the

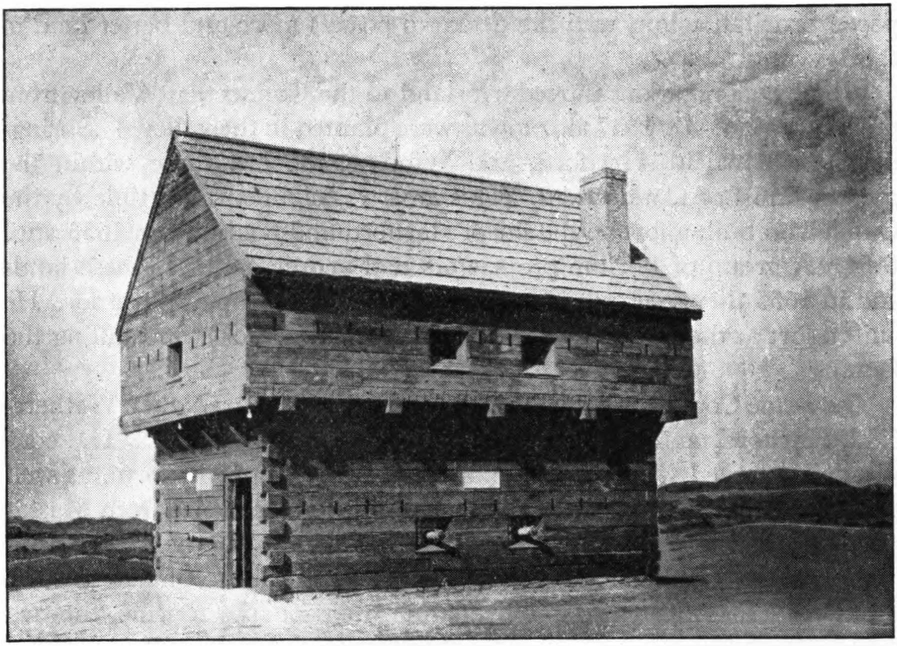
parent Puritan colony and the desire to possess more and better land of their own.

Whole congregations moved overland to the Connecticut Valley from the Bay region. By 1637 four towns were planted in the valley — Springfield, Wethersfield, Hartford, and Windsor, the last three within the present limits of Connecticut. This area was claimed for a time by the Dutch who built a fort on the site of Hartford and held it from 1633 until 1654. A group of Puritan proprietors had acquired title to these lands and in 1635 they sent over the younger John Winthrop as governor. He built a fort at the mouth of the Connecticut (Saybrook), forestalling the Dutch.

The name Connecticut for the colony appeared in 1637 when Wethersfield, Hartford, and Windsor organized for self-government. The constitution adopted was still in use after the Revolution; its form, as well as the town-meeting system of local government, was copied from Massachusetts Bay. There was as yet no royal charter. The next year English Puritans established a colony at New Haven, which soon had satellite communities. After going their separate ways for fifteen years, the two groups of settlements in Connecticut were persuaded to unite in asking for a royal charter, which Winthrop got for them in 1662. Connecticut was given the land from the Massachusetts boundary to the Atlantic and from the Narragansett River to the Pacific.

The fertile Connecticut Valley provided the colonists with the best farming land in New England. Agriculture was their characteristic occupation. Dwellings and barns, as to this day, were grouped together, with fields outlying. This afforded some protection from the Indians, who were a serious problem in the early years.[1] Settlement of the hilly back-country, both in Massachusetts and in Connecticut, was delayed almost a hundred years after the occupation of the valley. When these lands were taken up, the rocky slopes presented an altogether different problem in cultivation, never successfully solved. This contributed to the cleavage between the older settlements where trade had developed and merchants prospered and the pioneers on the new frontier who found the scratch for a bare living arduous. The west became "radical"; after the Revolution the quarrel came to a head in Massachusetts in Shays's Rebellion.

[1] Particularly Deerfield, Massachusetts, which has yet much of its colonial appearance and retains memorials of Indian attack. The "Indian House," in which the settlers gathered for defense, has been reproduced; the original door, pierced by Indian weapons, is in the near-by museum.



Brown Brothers

BLOCK HOUSE FOR DEFENSE

This one, near Saratoga, New York, was reconstructed from original materials.

New Hampshire, the last of the separate colonies of New England, was another offshoot of Massachusetts Bay. The earliest known settlement was in 1623, but this did not persist. In the latter sixteen-thirties, plantation really began by groups of varying religious complexion from the Bay region. Some came to spread orthodoxy, some to escape it. A grant from the Council for New England to Sir Ferdinando Gorges and Captain John Mason for what is now Maine and New Hampshire was divided between them in 1629. New Hampshire was Mason's share, and he named it after his native English shire. Massachusetts Bay ignored Mason's right and controlled the New Hampshire settlements until legal process in England recognized the claims of Mason's heirs in 1677. Made a royal province only two years later, this status was continued until the Revolution.

New Hampshire settlements, first made along the coast, closely resembled those of Massachusetts Bay. Later inland farming revealed the rocky soil and other agricultural problems of hilly southern New England.

New England Shipbuilding

The New Englanders from the first were amphibious. The tendency is to think of them, in contrast to the other colonists, as getting their living mostly from the arts of the sea. This is a mistake, for New England was as much agricultural as maritime. Settlement sought out the fertile lands along the streams; the great central valley, that of the Connecticut, is one of the richest in America. New England long sent grain, flour, horses, and salt meat to Virginia, the West Indies, and Bermuda. In 1640 wheat was defined by the Massachusetts General Court as a "staple commodity" for export.

But of course the ocean beckoned. Hardly any other part of the coast is so indented with bays, so possessed of sheltering harbors, and fingered by rivers navigable to the shallow craft of colonial times. Shipbuilding, fishing, coastwise and deep-sea voyaging inevitably claimed enterprise. Ideal masts, spars, planking, and some pitch and turpentine were available near river mouths where vessels could be constructed. The first was *The Blessing of the Bay*, sixty tons, built for Governor John Winthrop at Mystic, Massachusetts, and launched July 4, 1631. She was followed by the *Rebecca*, of the same burden, built at Medford two years later. The chief of Winthrop's artisans was "Wil. Stephens, who built the *Royal Merchant* of 600 tons [in England], so able a shipwright as there is hardly such another to be found in this Kingdom." Shipwrights were exempted from poll taxes and militia service. They were given in the main "country pay," of provisions; indeed, the vessels were constructed almost entirely on the barter system then universal in the colonies. At first canvas, rigging, and ship irons came in from the mother country.

By 1635, New England owned at least six sail of the forty that traded there. In 1643, in one day five ships sailed from Boston, three of them of native New England build, two as large as three hundred tons and another half the size. The building of ships was "going on gallantly" at Boston, Gloucester, Salem, Scituate, Newport, New London, and soon many other places had vessels on the stocks. Weeden, in *The Economic and Social History of New England*, thinks a typical one was that built by Stevens at Gloucester in 1658; 68 feet keel, 23 feet beam, two decks, forecastle, and cabin, and costing £3 5*s*. per ton. Smaller vessels were such barques as the *Speedwell*, *Hopewell*, and *Endeavor*, built at New London, and of twelve to twenty tons.

In the opening two decades the little New England merchant craft

mostly hugged the coast, taking furs from the Indian trading posts on Narragansett and Buzzard's Bays, and going so regularly to New Amsterdam that a canal across Cape Cod was projected, a tavern for reception of the New Englanders was erected on the East River by the Dutch, and Massachusetts proclaimed rates of exchange with Dutch currency. Maryland and Virginia were visited. In the early sixteen-forties the voyages were extended to Newfoundland, the West Indies, London, Spain, and the Madeiras. In 1648 we have a picture of a New England wharf: "Heaps of wheat, pork, bisket, beef, and beer. Masts, pipe-staves, fish, should store both far and near, which fetch in wines, cloths, sweets and good tobac." In that day of slow, uncertain, and unorganized mercantile communication, ship captains were necessarily trusted by owners with most of the trading and often with sale of the vessels in foreign ports.

By 1635, New England was beginning to turn from furs to fish, first taking the cod and to a less extent mackerel, sturgeon, and alewives (a kind of herring) in the local bays and rivers, 300,000 dried fish being sent to market in 1641. Later the fishermen went to the colder northern waters of the Newfoundland banks, where their vessels made up a large part of the cosmopolitan fishing fleet. Salt was an essential commodity for the fisheries. Many attempts to make it in quantity by evaporating sea water were disappointing; that from Tortugas was disliked because it spotted the fish, and dependence was placed on European imports. The best of the catch was sent to Spain, Portugal, and their islands to feed Catholics on fast days, while the inferior fish went to the West Indies for the Negro slaves.

Miniature Ships

The ocean commerce of the American colonies was carried on in astonishingly small vessels. The *Mayflower*, typical of the early seventeenth century, was 100 feet long and not over 25 feet beam, and of 180 tons. The *Speedwell*, which started with the *Mayflower* but turned back, was of 60 tons. At the time the Constitution was adopted, vessels clearing English ports for America averaged 190 tons gross register, while those entering from America were slightly smaller. Full-rigged ships might be of 200 tons register, but the two-masted, square-rigged brigs, of 100 to 150 tons, were the main reliance. In 1784, according to an informed contemporary writer, the vessels in the American-European trade numbered 1220, with total gross register of 195,000 tons; two of

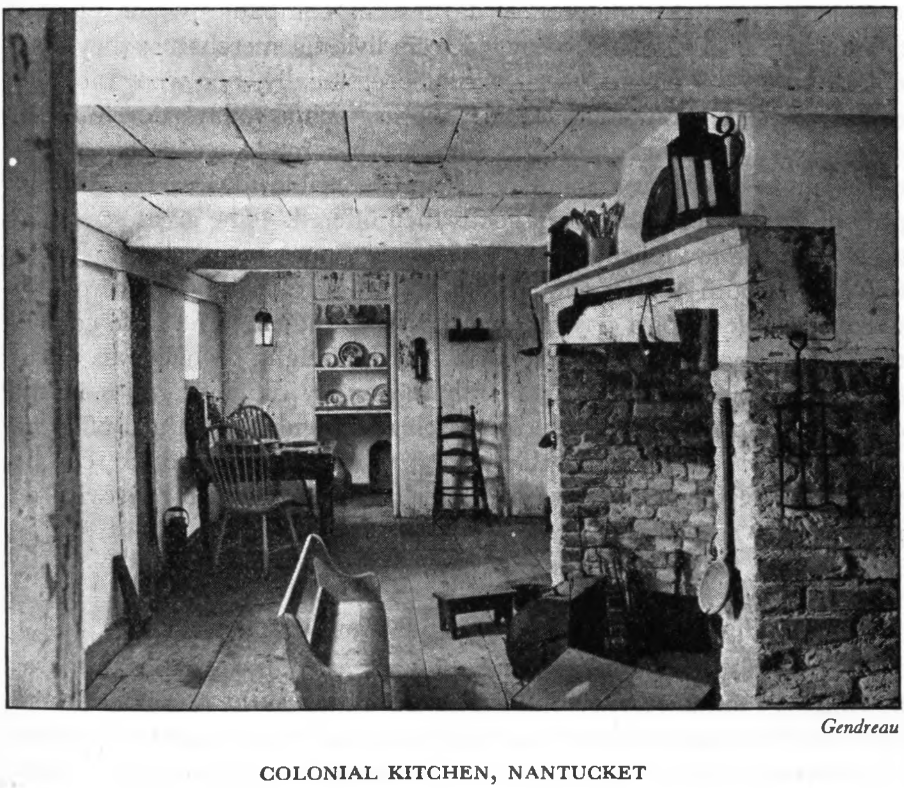
the present-day Atlantic mammoths hold almost as much. The coasting vessels and those going to the West Indies averaged 68 tons, but many small vessels — snows, sloops, schooners — carried goods and passengers across the Atlantic. One of these tiny bottoms which came to Plymouth, the *Sparrowhawk*, having been wrecked and buried by sand, has been exhumed and is on display there; it fits comfortably into a room about two thirds the size of a tennis court. If one can understand how regular seafarers trusted themselves to such craft, the courage of passengers for the colonies is surprising. Aside from the dangers of the sea, the crowding and sickness must have been nearly intolerable. The *Mayflower* brought 102 persons besides its crew. A classroom holding this number of students measures perhaps 50 by 40 feet, which is not far from the available space on the two decks of the Pilgrim ship; this gives an idea of how closely the passengers were packed. The common disinfectant, with which passenger quarters were sometimes washed down at the end of a voyage, was vinegar, the weak antisepetic property of which made its use only a gesture.

After the early termination of the trading companies which planted colonies, most of the ships belonged to individual merchants; they were not the property of producers, except occasionally, nor were they operated by carrier companies for the freights, such as today's development of markets, transportation, and banking has made customary. The merchant-owner with a small vessel was best able to discover and dispose of the small shipments of goods then offered. The greatest part of ocean commerce was carried on by barter, though some coin was to be had in the south of Europe and bills of exchange on English merchants were available in part payment in the West Indies. The little coin in the colonies was mostly the Spanish "piece of eight," which was translated into pounds, shillings, and pence at very different ratios in the different colonies. English money itself was regularly drained off from America in meeting unfavorable trade balances. Owing to the scarcity of coin, all of the colonies issued paper money, too much of it with no provision for redemption.

Colonial Household Manufactures

The colonists had reasons for supplying as many of their wants as possible by manufacture within the households. In the first place, there were few cheap factory-made articles to be had in any market. Means of transportation in America were so poor that most communities were

isolated, money was exceedingly scarce, purchase through barter was cumbersome, the settlers were surrounded by raw materials of nearly every sort, and necessity proved the mother of invention in using them. The policy of the mother country in several ways induced manufacture within the home for home consumption. The planting colonies to the south had agricultural staples which found their best markets in England, so these districts in the main got their manufactures by import from there. The New England and middle colonies, on the other hand, especially the former, had less to export to the mother country since some of their chief products, such as grain and provisions, were excluded; further, the countries of southern Europe to which these could be sent had few manufactures for the return voyage. British bounties for naval stores were designed, in part, to keep colonists employed in the forest rather than at forge or workbench, but had this effect only in the South where pitch, tar, and turpentine were easily extracted. Direct prohibition on colonial handicrafts where the products were offered for sale, as



Gendreau

COLONIAL KITCHEN, NANTUCKET

also prevention of emigration of British artisans, drove the Americans to manufacture in their homes. Bounties and other encouragements of the colonial governments also gave incentive to household production.

Manufacture in the household bulked largest in districts remote from markets, such as northern New England and the frontier across the Alleghenies. Here the system lingered after more favored regions had passed into the shop stage of hand production by specialized artisans for sale, or even into the factory stage. Also, communities dominated by groups of settlers with particular skills — Scotch-Irish weavers or Germans long trained to several crafts — had a higher proportion of home-made articles. Textiles were the most universal of household manufactures, being produced even on many southern plantations for slave use. Cotton, wool, linen, and hemp, and many mixtures of these, were spun and woven; the cards, combs, hackles, wheels, and looms, while they also might be made in the homes, were oftener procured from other craftsmen. Where better fibers were not to be had, cattle and buffalo hair and the bark of wild nettles were worked up into clothing and bed-coverings. Or skins of many wild and domestic animals were home-tanned and dressed for breeches, vests, petticoats and of course shoes and saddlery. The textiles and leather illustrate better than other branches how, as time passed and communities developed, itinerant workmen began to come into the household to do all or the most difficult parts of the fashioning. These later set up their own shops — fulling mills, weave sheds, tanyards — to relieve the home of certain processes, and gradually most of the production passed to craftsmen's establishments. The last stage of this progress was to the factory, with power machinery and making for sale rather than simply on order. It is difficult to assign one date for this last development, but the year 1830 is applicable for textiles, and other articles were not long left to home contrivance.

Hamilton, in his *Report on Manufactures* in 1791, found persisting, besides "manufactories . . . which are carried on as regular trades . . . a vast scene of household manufacturing which contributes more largely to the supply of the community than could be imagined, without having made it an object of particular inquiry." Twenty years later, judging from the 1810 Census, household textile manufactures ($37,834,000) were ten times as great in value as the factory products, and all household manufactures may have merited a valuation of $172,000,000 according to Tench Coxe, the very best judge. This was when embargo and non-intercourse had offered special stimulus and the period succeed-

ing the second war with Britain had brought the factory to the fore.

It is not possible, in our space, to begin to mention the countless articles of necessity, utility, and comfort which were made by their user, beside the hearth or on home workbench or anvil. Museums hold completer collections, antique shops display samples. Where the products were perishable, the implements remain, as those for making cheeses, maple sugar, and lye from ashes. Suffice it to say that in the process of rendering the single farm, or even the local community, largely self-sufficient through household manufactures, remarkable ingenuity and increasing deftness were shown.[1]

References for further reading will be found at the end of Chapter 7.

[1] The authors of this book live on a New England farm in an isolated spot. Though the place was for some years let to casual tenants, and then virtually abandoned, which worked to sweep it clean of movable objects, we have found, in the buildings and in discarded and broken objects, more evidence of industry and skill of hand than we, with better tools and some knowledge, should be able to reproduce. Not all of these were turned out by the farmer and his family; such implements as hand-wrought hinges, latches, and wagon-irons were procured from neighborhood workmen. Others, however, originated on the spot, such as a brass perforated ladle for skimming tallow, a wooden pestle and mortar for pounding corn, wooden shovel for removing ashes, an ox yoke, a well coping made of a single great flat stone with the hole neatly chipped out, and so on. In a neighbor's dooryard is a "leach stone" used in securing lye for soft soap, which was a spring chore. The slab has a circular groove or drain eighteen inches in diameter. In this was placed a tub of staves or a hollowed section of log, with holes at the bottom above the groove. Ashes from the winter hearths and from burning of brush were put in the tub, water poured through them, and the liquid lye which seeped through was boiled with fat to make a strong soap. The liquid alone might be boiled to get the residuum of "black salts," or be further refined by several hours of intense heat to make potash, which was an important commercial article in the colonies.

Chapter 4

The Later Colonies

AFTER THE SETTLEMENT OF MARYLAND there was a lull in English colonizing efforts. For a number of reasons no new ventures were undertaken between 1634 and 1670. Most of the nobility were engaged in the Civil War on the side of the King, and after the defeat of the royal cause had neither desire nor opportunity for proprietary colonial enterprise. With the ascendancy of the Parliamentary forces, too, the religious motive for earlier settlement in New England no longer existed.

Colonization had resulted by 1650 in thirteen separate communities of English settlers in America and the West Indies — Virginia, Bermuda, Plymouth, Massachusetts Bay, Barbados, St. Christopher, Antigua, Nevis, Montserrat, Connecticut, Rhode Island, New Haven, and Maryland. The only addition to these made under the Protectorate was the conquest of Jamaica from the Spanish in 1654. This was a part of Cromwell's "western design" — to seize Spanish possessions in the Caribbean and thus consolidate English power in the New World. Cromwell's motive was in part religious, in part financial. The plan envisaged the capture of silver bullion which was taking a West Indian route to Spain. Only the conquest of Jamaica, however, succeeded, and the expense of colonizing and holding that island outweighed any monetary profit. Spain still had important strongholds in the Caribbean.

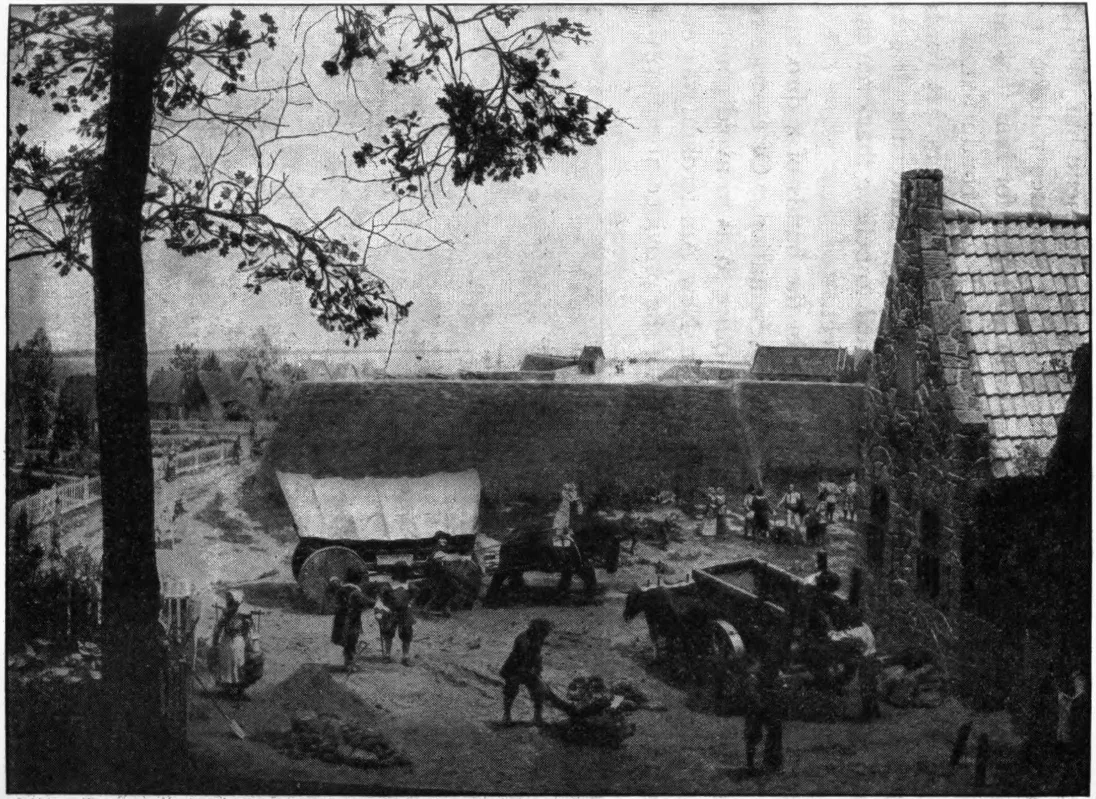
The next English move was taking New Amsterdam from the Dutch. The island of Manhattan was probably seen first by Henry Hudson in 1609, the English captain sailing for the Netherlands government, in search of a water passage to China across North America. Another Dutch expedition in 1613 penetrated the Hudson River as far as the site of Albany. No permanent settlement, however, came into existence until after the charter of the Dutch West India Company in 1621. A group of thirty families, Dutch and Walloon, came in the spring of 1624 and settled at Fort Orange (Albany) and on the Delaware. These engaged in agriculture and barter with the Indians. Others followed, with livestock, seed, and farm equipment. Settlement was not made at

Manhattan until May, 1626. Peter Minuit became director of this colony, and it was he who named the place New Amsterdam, and consummated the famous purchase of Manhattan Island from the Indians for sixty guilders (about twenty-four dollars). Most of the Fort Orange settlers were withdrawn to New Amsterdam by Minuit for reinforcement.

The colony of New Netherland was similar to the settlements in Virginia and Bermuda in being controlled by a trading company chartered by the home government. Profits from trade, not colonization, formed its prime interest. Unlike the English companies, its activity was not restricted to one colonizing center; its charter permitted the promotion of trade anywhere in the western world where the directors could find an opening. Dutch claims in the New World were widely scattered: the company's efforts were employed in the Caribbean, on the South American mainland, and from Buzzard's Bay to the Delaware. Among these New Netherland was only one, and not the most prosperous, which explains what appears to be neglect of its interests by the parent company.

The province consisted of a series of scattered trading posts on the Hudson, the Delaware, and even the Connecticut. Its boundaries were so vague that there was frequent conflict with the English in New England and Long Island and with Swedes and Marylanders to the south. Population grew slowly; by 1664 that of New Amsterdam was fifteen hundred, and that of the whole province less than seven thousand. Thus the colony was difficult to defend from attack. The company was unwilling to spend the money necessary for peopling the province since profits were small. A scheme for stimulating colonization at the expense of individuals was the patroon system, which meant giving large grants of land on feudal terms for the setting-up of privately controlled agricultural communities. It was the idea of Kiliaen van Rensselaer, one of the Amsterdam directors. He advocated restricting the fur trade and emphasizing agriculture, so that New Amsterdam could be a supply station of grain, cattle, and other provisions for Dutch ships going to the West Indies. He believed that concentration on hunting and trading would result in loss of the company's investment in New Netherland. Opposed by those interested in quick profits and in outfitting Dutch ships at home, Van Rensselaer nevertheless succeeded in having the patroonship adopted in 1629.

The only successful patroonship was that of the originator himself, Rensselaerswyck, in the Albany area. Since the patroon financed the undertaking, the profits were also to be his. In this lay the lack of



Gendreau

NEW AMSTERDAM

From a model in Museum of the City of New York.

success, since colonists coming to a new world where land was plentiful and labor scarce could not be expected to forgo the fruits of their toil. Proprietary control included not only business management, but judicial power as well. Kiliaen van Rensselaer was an absentee patroon; he never visited New Netherland. Those who governed for him took an oath of loyalty to the patroon. Rensselaerswyck was conducted as a farming colony, part of which was leased to other farmers. Records about it are so full of disputes of various kinds — concerning leases, profits, tithes, the use of ships — that it is hard to believe that even the diligent Kiliaen made money out of his project.

Government of the whole province was in the hands of a director-general, with no semblance of popular representation. Of a series of directors only Peter Minuit conducted his office so as to avoid general dissatisfaction. Nearly everybody living in New Amsterdam was engaged in trade, and in the outlying parts of the province attention was

Brown Brothers

BOWLING GREEN, NEW YORK CITY

Same location shown in picture on page 79.

divided between agriculture and the fur trade, with emphasis on the latter. The policy of the government toward the Indians was violent and oppressive, particularly toward the end of the Dutch period. For this many reprisals were made against the white population, especially along the west bank of the Hudson.

Despite the lack of representative government in New Netherland, many complaints of its citizens reached the home authorities. It was said that the company's greedy methods did little for the well-being of the province. Taxes were levied without regard to ability to pay; trade policy encouraged monopoly; money left the colony but none was put into it. During the last twenty years of Dutch rule such grievances were a commonplace.

English Conquest of New Netherland

Financial stringency in England had turned the minds of Cromwell and his advisers to the possibilities of commercial development in the New World. The conquest of Jamaica, already referred to, was an evidence of this. Charles II, however, also had pressing financial problems, and the newly emerging notion that trade follows the flag was not halted at his succession, but merely changed in direction. Since he needed the revenue from royal lands at home for his own requirements, grants in the New World were almost the only means by which Charles could reward his loyal followers. His greatest single grant was to his brother, the Duke of York, later James II, to whom title to the Dutch lands was given in 1664.

English rivalry with the Dutch took several forms, chiefly in the colonial carrying trade and in the African slave traffic. The Duke of York was one of the leaders of a group advocating aggressive action against the commercial primacy of the Dutch. English colonists and Dutch found themselves in conflict at a number of points. After a report of English grievances was made to the council for foreign plantations, it was decided to assert the King's title to New Netherland and to rid the English of the Dutch "intrusion" in that place. It had been felt for some time that this foreign colony, cutting off New England from the other English settlements to the south, must be taken over. The Duke of York was made proprietor of northeastern Maine, Long Island, Martha's Vineyard, and Nantucket; all the land between the Connecticut River and the Delaware and north to include Albany. Later the west bank of the Delaware was also claimed. This apparently high-handed

action of the English King is explained by the fact that right to these lands was based on the voyages of the Cabots and had been asserted repeatedly during Dutch occupation.

An expedition of four frigates was sent to New Netherland in July. Richard Nicolls, the Duke's deputy governor, issued proclamations offering favorable terms to the burghers of New Amsterdam and to the Dutch towns on Long Island. After three days' delay, Governor Peter Stuyvesant surrendered the fort without firing a gun. Peace terms were signed in August by English, Dutch, and New England representatives. Later, Fort Orange and Fort Casimir on the Delaware (later New Castle) were also taken. The only bloodshed, and that unnecessary, occurred at Fort Casimir. The attitude of the English toward the Dutch was conciliatory. By the terms of surrender the property rights of the Dutch government and the West India Company were not molested and all the inhabitants were guaranteed freedom of conscience and the preservation of their own customs. To bring New Netherland (or, more properly now, New York) into conformity with the Navigation Acts, direct trade with Holland was to continue for only six months after the conquest.

The powers of the Duke of York were wider than those of any other colonial proprietor. This was natural, since the grantee was the King's own brother and was himself the heir to the throne. New York had at first no assembly, such as existed in other proprietary colonies, to check the power of the lord. The Duke looked upon his colony as a business proposition, to be run at a profit if possible. At the same time he did not use his power arbitrarily, and his governors were on the whole abler and better-intentioned toward the people of the province than the Dutch governors had been. The colony was not successful financially because absentee landlordism could not deal adequately with the many details of management and a colony run as a proprietary landed estate was inappropriate to a great new continent with wide spaces for the taking. The environment made free men in the New World, even if circumstances did not always assist. The Duke's governors had the impossible task of satisfying their lord's desire for profits and at the same time the very different needs of a new society.

The Duke did not long continue the attempt to rule all the lands in his original grant. Territory between the Hudson and the Delaware (New Jersey) was granted to Berkeley and Carteret; western Connecticut was given back; claims to the western bank of the Delaware were resigned in Penn's favor; and Maine and the Massachusetts islands were put under the jurisdiction of Massachusetts.

Fur-trading under the Dutch had continued to be more important than agriculture as late as 1660. The English were more interested in farming and encouraged it after the conquest. They also stressed fisheries and shipbuilding, though New York remained largely a town of trade. They grew tobacco and Indian corn, but the staple was wheat. A number of large manors were granted to individual landowners; these differed from the Dutch patroonships chiefly in not requiring the settlement of a given number of persons. There was the same semi-feudal basis for the grant. Settlement was encouraged, and population by 1698 had grown to more than eighteen thousand. The province lost its proprietary character with the accession of James to the throne, and became, of course, a royal colony with a governor, council, and popular assembly.

From the economic point of view the important thing to remember about the English period of the province of New York is that its conquest from the Dutch, its subjection to the Navigation Acts, and its remand to royal control were all a part of England's general plan at the time. This was to centralize colonial authority, for the furthering of trade, the strengthening of sea power, and the subordination of colonies to the good of the home government.

Another brief colonial effort by a foreign power may be mentioned here. In 1638 about fifty Swedish emigrants appeared in the lower Delaware and built Fort Christina, now Wilmington. They were led by Peter Minuit, who after being forced out of his position in New Amsterdam had offered his services to Sweden. The little settlement persisted, but did not prosper greatly, never having more than four hundred inhabitants, of whom some were Dutch and some Finns. Finally, in 1655, New Sweden was taken without bloodshed by a Dutch force under Peter Stuyvesant. Therefore, it was a part of the English conquest of 1664, but was ultimately absorbed into Penn's colony.

Proprietors of "The Jerseys"

Still another part of New Netherland, and hence of the Duke of York's grant, became a separate colony. Less than four months after the English conquest of New Amsterdam, the Duke granted to two friends, John Lord Berkeley and Sir George Carteret, that part of his domain south of Manhattan Island lying between the Delaware and the Atlantic Ocean — New Jersey. Berkeley and Carteret acted on the assumption that they had the right to govern the territory. There were few inhabitants in the area in 1664. Colonization by the Dutch had been slow, partly

because of Indian hostility. The proprietors encouraged settlement on liberal terms — religious freedom, a measure of self-government, grants of land at low cost, quitrents usually nominal. Settlers came in good numbers, some from the mother country but more from New England. Vexatious problems of land tenure arose; in many instances settlers bought land direct from the Indians, and therefore claimed to owe neither oath of allegiance nor quitrent to the proprietors.

The Duke of York's impulsive grant of New Jersey to his friends led to confusion of proprietary rights. East and West Jersey (we should say North and South Jersey) were differentiated, and finally both came under the control of Quakers, since William Penn was interested in each. After a contest with the Crown, the Jerseys were united in one royal province in 1702. The excuse was that within this territory pirates and smugglers were given harbor, depriving the Crown of customs revenues, and the proprietors had lost support of the people because of controversies over quitrents. No real progress was made until after New Jersey became a royal province. In economic life it held nothing distinctive; it partook of the nature of Pennsylvania on the one side and of New York on the other. Farming in the southwest and trade in the northeast were characteristic, while along the coast there were plenty of small harbors to shelter fishing smacks and minor shipping.

The proprietors retained possession of the soil of the Jerseys and the right to quitrents after 1702. A curious sequel to this is that since the two boards of proprietors were self-perpetuating they still exist and still have rights to any unlocated land left in the Jerseys. There is, of course, very little such land now, just bits like sandbars made by nature or remnants existing because of faulty surveys. The sole remaining function of the boards is to give quitclaim deeds to persons who wish to complete title to any land in their jurisdiction. Ultimately the records of the boards will probably come into the hands of the state government, by purchase or confiscation, and the career of these bodies descended from the proprietors will be at an end.

Pennsylvania, A Quaker Experiment

The second largest of the middle colonies began as a religious refuge, but of a different character from those in New England. The Society of Friends originated in England in the seventeenth century and was from the first subject to persecution. Not only did the Friends refuse to conform to the existing religious establishment, but many of their un-

conventional beliefs were considered dangerous, as for instance the opposition to war and the refusal to take oaths of any kind. Quakers migrated to the New World early in the history of English colonization; they were numerous in Rhode Island, in North Carolina, and were a majority in West Jersey. In some of the colonies, notably Massachusetts, Quakers met with persecution as in England. They desired to have a strong colony of their own, where they might be free from all restraint and have scope to develop as they saw fit.

All this was realized through the agency of William Penn. Son of an aristocratic family, he had influence at the Restoration court of Charles II through that King's debt to his father, Admiral Sir William Penn. The elder Penn had assisted Charles back to his throne, and had also lent him money. At the admiral's death his son inherited both the debt and the friendship of the Stuarts. Charles, ever short of money, offered Penn a grant of land in America in payment. This suited Penn, who had, to his father's horror, come under the influence of Quakers and been converted. The King's offer was the opportunity for a Quaker haven in North America.

A charter signed in March, 1681, gave Penn proprietary rights in extensive lands lying west of the Delaware River, between the fortieth and the forty-third parallels. These limits, specified probably in ignorance, brought Penn's claim into conflict with both New York and Maryland, and even with the much earlier grants to Virginia and Connecticut. Despite controversies, some of them not settled until after the colonial period, most of the counterclaims were disallowed and Pennsylvania remained substantially as in the original grant. It was to extend westward from the Delaware for five degrees of longitude. This gift far exceeded in value Charles's debt to Penn, since it included magnificent mineral deposits as well as some of the finest agricultural land in North America, but no one in 1681 was aware of this.

Penn's purpose for his colony was idealistic, almost to an extreme. It was to be, in his own phrase, a "holy experiment." There was to be liberty of conscience, not only for Quakers but for all others; taxation only with the consent of the taxed; preservation of the rights of individuals; trial by jury. He believed that government ought to extend beyond the mere preservation of law and order to some measure of social betterment. Coming late among colonial beginnings, Penn's colony could profit by past experience and planning. By this time it was known that success depended upon attracting enough families of colonists able and willing to work and desirous of making homes. Gone were the earlier

get-rich-quick notions of gold mines, passage to the East Indies, and even the later Dutch idea of exploitation primarily for trade. Penn went systematically about the business of getting colonists. On an earlier missionary trip to the continent of Europe he had come into contact with various other Protestant sects. His two early tracts on the province, published in 1681, were circulated in England, Ireland, and Wales, and in translation in Holland and western Germany. This advertising drew many groups of settlers.

The Dutch and Swedes within Penn's province were encouraged to remain, on liberal terms; in fact, all foreign groups were naturalized after Penn's first arrival in the colony. By the end of 1681 there were perhaps a thousand people in Pennsylvania; by the middle of 1683 about three thousand. Penn himself came in 1682, though for only a scant two years, and Philadelphia was laid out. This best-planned of colonial cities had straight, wide streets, with cross-streets at right angles. The characteristic brick houses made their appearance within the first two years, giving the town a neat and prosperous appearance.

The English Quaker settlers were for the most part well-to-do middle-class people, who brought with them money and supplies. Some became farmers, and some, especially a little later, were engaged in trade in Philadelphia. A group of Welsh Quakers obtained from Penn in 1681 a large grant, called variously the Welsh Tract, Cambria, or New Wales, and a good many Welsh settlers arrived in 1682 to take up this land. Most of them were distinctly better off than their English co-settlers. The Welsh immigration was never large, and use of the Welsh language among the settlers died out gradually; the principal remaining sign of their occupation is in the place-names of Merion, Haverford, Bryn Mawr, Radnor, St. David's, Bala, Cynwyd, and so on.

The Germans in Pennsylvania

Another foreign group, attracted in much larger numbers, were the Germans who gave Pennsylvania much of its character. Penn's pamphlets reached German Protestants in the Rhineland and the County Palatine. These parts of Germany had suffered cruelly in the Thirty Years' War (1618–48), and Penn's glowing accounts of his province and his promise of religious freedom appealed to these people, so like the Quakers in many ways. The first Germans reached Pennsylvania in 1682, and Germantown, their settlement near Philadelphia, was founded in the following year. By 1690 this community had about three hundred

inhabitants, German Quakers, Lutherans, and a few Mennonites. Later waves of migration, set in motion by the hardships of further wars, continued to bring German settlers to Pennsylvania from about 1710 until the Revolution. Some German groups went to other colonies, notably North Carolina and New York, but Pennsylvania had many more than any other province. Conditions for religious freedom were better, and Germans had prospered here more than in other places. The German migrants were for the most part peasants, who arrived in the colonies with little or nothing in the way of worldly goods. Some of them became indentured servants for their first few years, to pay for their passage. In spite of this, they proved successful farmers under Pennsylvania's favorable conditions. The German cultural contribution to Pennsylvania was marked — language, handicrafts, and religion were only a few of the local characteristics they influenced. A much larger group than the Welsh, they were not similarly absorbed by the dominant English. In a political sense the Germans were often useful to the Quakers. Grateful for religious asylum and closely akin to Quakerism in belief, they supported Quaker policies and candidates and thus kept the Quakers in power in the assembly. At the time of the Revolution, the population of Pennsylvania was roughly one third German, one third Quaker, and one third other elements, including Anglicans and Scotch-Irish.

The last-named group began to migrate to the colonies in large numbers about 1718 because of trade restrictions, famine, and religious discrimination. Pennsylvania attracted a good share. They were not the most peaceful of folk, and in various ways found themselves in opposition to the majority of those already in Pennsylvania. They struck out to the west of the existing settlements and settled on the border between Pennsylvania and Maryland, on disputed land for which some of them never could be induced to pay.

The economic life of Pennsylvania depended upon trade and agriculture, both of which prospered. The land was rich, the climate healthy, the Indians friendly. For this last advantage Penn's conciliatory policy was largely to be thanked, though the Indians had been kindly treated by the whites who had preceded Penn in the Delaware region. Relations did not remain so happy throughout the colonial period, partly because of the pugnacious character of the Scotch-Irish settlers, but the colony got a good start in the early years.

The southern border of Pennsylvania marked the agricultural dividing line between the colonies to the north, where farming was varied and principally for subsistence, and those to the south, where staple cash

crops for export were the rule. This was a major difference between North and South. The South early developed a wealthy planter class in control, with a greater economic margin than the upper groups in northern colonies. This margin was bought at the expense, first, of the land because wasteful methods of cultivation exhausted the soil; second, of society, since slave labor came to be its basis and nonplanter whites were pushed off onto poorer farms; and finally, of a diversified economy. Since the mother country did not want any of the agricultural products of the northern colonies, necessity produced a much better-rounded economic life. The proprietors of Pennsylvania remained in control until the outbreak of the American Revolution.

The State of Delaware is still sometimes referred to as "the lower counties." This phrase is a holdover from colonial times, for Delaware had no name until the Revolution. Claimed by the Duke of York as part of his grant, this region was transferred by him to Penn in 1682. Since the Duke's title was dubious, so also was Penn's. Three counties were set up. The lower counties were governed as a unit with Pennsylvania, until, in 1703, Penn gave them the option, and they chose a separate assembly. From then until the Revolution, Delaware was in the anomalous position of having its own assembly, but the same governor as Pennsylvania.

The Carolinas and Georgia

The beginnings of three southern colonies remain to be described, before we make some general observations about colonial life North and South. The Carolinas really antedated Pennsylvania, but discussion of them has been postponed in order to treat the middle colonies as a group. The first permanent settlers within the Carolinas were pioneers from Virginia, who had come in small numbers as early as 1653 to the Chowan River, near Albermarle Sound. Within the next eleven years two unsuccessful attempts were made to settle the Cape Fear River area, the first by New Englanders and the second by Barbadians.

Meanwhile, Charles II had made a grant of the Carolinas to eight proprietors, men to whom he was indebted, including Sir William Berkeley, governor of Virginia, the Earl of Clarendon, Sir Anthony Ashley Cooper, and the Duke of Albermarle. This land had reverted to the Crown when the charter of the Virginia Company was revoked in 1624. Further settlement in what became North Carolina was made by French Huguenots from Virginia in 1690, and other groups came to

the area from Europe shortly after that date. German and Swiss immigrants who founded New Bern broke up their settlement after fights with the Indians. All the colonists thus far mentioned came on their own initiative, but in 1670 an expedition from England, sponsored by the proprietors, founded Charleston. The best harbor on the Atlantic south of Virginia, Charleston had an important natural advantage; it became the commercial center for the lower South, indeed the chief of southern cities until the Revolution. The whole colony received important additions to population within ten or twelve years from the founding of Charleston — English, Scotch, French Huguenots, and many from the West Indies, particularly Barbados.

Difficulty with the Spanish occupied much attention in the early years of the Carolinas, for the whole territory lay within Spain's claims. The first provision for government in 1663 was simple, including a governor, council, and assembly. A later attempt to apply a ridiculously elaborate and pompous arrangement known as the "Fundamental Constitutions" (fathered by the English philospher John Locke, who should have known better) was unsuccessful and a more practicable system was gradually evolved. The two areas of settlement always had separate councils and assemblies, and, except for a short interval, separate governors, though all were under the same proprietors. By 1700 the names North Carolina and South Carolina had come into general use; they were divided by a great stretch of unexplored wilderness and later by differing economic development.

The Carolinas Separated

In South Carolina the cultivation of rice and indigo provided the colonists with important cash crops for export. Laborers were needed for them in large numbers; hence slavery took root early and flourished. From Charleston's natural harbor an extensive commerce went out both to England and to the West Indies. There was little early contact between South Carolina and the other colonies on the mainland, partly because of geographical isolation and partly because she had little to exchange with her neighbors. North Carolina, on the other hand, had as its cash crop tobacco, but could not export it direct to England, since harbors on that coast were too shallow for the transatlantic vessels. A possible course was to transport it overland to Virginia, to be shipped from there. As a rival producer of tobacco, however, this did not suit Virginia's book, and a series of laws was passed to prohibit North Caro-

lina tobacco from taking this route to England. North Carolina harbors could accommodate smaller vessels, and many such came from New England to buy tobacco. From New England much of it was transshipped direct to Continental European ports, in contravention of the Navigation Act of 1660. It was in the attempt to control such traffic as this that Parliament in 1673 passed an act taxing enumerated articles shipped from one colony to another. Efforts by the proprietors to enforce this act and to collect quitrents led to serious friction between settlers and governor.

North Carolina remained under proprietary rule until 1729, when it became a royal province. In this period the population increased by new immigrants until by 1730 North Carolina had more inhabitants then South Carolina. The colony was greatly improved also by successful settlement of the Cape Fear River area, which had a superior harbor at Wilmington. Twenty years before the Revolutionary War the trend of settlement westward into the upland (piedmont) section began. This was by no means confined to North Carolina, however, but was shared with all the other colonies from Maryland to Georgia. Thus was created a new frontier, having little common interest with the coastal regions of the various colonies. Settlers in the mountain belt from north to south, however, met similar geographical conditions and developed the same way of life.

In South Carolina there was even greater friction between settlers and proprietors than in North Carolina. The quarrel took various forms; the problem was the familiar one of reconciling the welfare of the people with the desire for profits to the owners. Proprietary rule in South Carolina was ended in 1719, on petition of the inhabitants. The proprietors, on their side, were disappointed in the colony, which they had hoped would produce such money-making commodities as wine, silk, and olive oil. Rice (indigo came later) developed as the staple crop, but was not spectacularly profitable.

Georgia, last of the original colonies, was not granted for settlement until 1732. South Carolina wanted a buffer between herself and the Spanish and also against the Yamassee Indians with whom a costly war had been fought. The founder of Georgia, James Edward Oglethorpe, had quite another motive. This was to provide a refuge for persons imprisoned for debt, to give them a new start in life. Land between the Altamaha and the Savannah Rivers was granted by George II to Oglethorpe and a like-minded group. Oglethorpe was a soldier as well as a philanthropist; this made him a good person to head a colony where

there would almost certainly be fighting, since the territory was part of the Spanish claim. In distinction from earlier proprietors, the Georgia associates were not to own land in the province, only the right to govern it for twenty-one years. They were to have no profit from it, and at the end of the stipulated time it was to revert to the Crown. Oglethorpe was in effect a despot, though a benevolent one.

The first settlement was made at Savannah, near the mouth of the Savannah River, in 1733, by fewer than one hundred and fifty emigrants. Others followed, English, Scotch, and Germans. The proprietors gave financial support at first, but immediate results were disappointing. It was discovered that the climate was unhealthy in the fertile parts of the colony and that the uplands were composed of poor soil. Moreover, landholdings were limited, and slavery was at first forbidden, making competition with neighboring South Carolina impossible. The restrictions were lifted by 1750, but not before a number of the colonists had removed to South Carolina. The proprietors gave up their rights to the Crown in 1751.

Colonial Agriculture

Discussion of other occupations must never obscure the fact that cultivation of the soil was the basis of life in all the colonies. The earliest settlers learned much from the Indians and adopted their four characteristic crops — corn, tobacco, beans, and squash. The fields were not cleared at first, but the trees were simply girdled to kill them and let in the sunlight. Indian methods of cultivation were taken over, particularly for corn. Seeds were planted in a hill, with a fish for fertilizer; other crops (beans, squash, or peas) were often planted between corn rows. Colonial farmers did not, for the most part, profit by agricultural discoveries made in England during this period. For lack of scientific methods, such as rotation of crops and the use of grasses and roots, soil was exhausted. The reason, of course, was the scarcity of labor and the enormous expanse of virgin land to be had almost for the asking. Overseers on the southern plantations were paid a portion of the crop, so that their interest was in high yield rather than in preserving the fertility of the soil. Methods were somewhat more careful in the North, particularly in New England, but the vicious waste of land in the South became a habit, almost a tradition.

Implements were of the crudest sort. The few plows in existence were often entirely of wood. Where iron was used, the plow was unnecessarily

heavy, and was easily broken on land imperfectly cleared. Livestock was also inferior for lack of proper feeding and breeding. Allowed to run at large, breeding could not be supervised and there was little or no shelter from winter weather. The Germans in Pennsylvania brought with them more thrifty methods, but they were an exception. Staple food crops in variety were grown in the colonies, especially wheat and white potatoes. Native fruits and nuts were used, among them chestnuts, walnuts, plums, grapes, and strawberries. Apples, introduced early into Virginia from England, became the common colonial fruit.

Colonial crops were thus a combination of the native with those from other countries best suited to the soil and climate. Much experiment with foreign plants was carried on. Among those successfully introduced were wheat, rice, indigo, barley, oats, buckwheat, and hemp. Of these the last was grown in all the colonies, rice and indigo were confined to the lower South, wheat was most important in Pennsylvania and New York, buckwheat in New England. Many things were unsuccessfully tried in North America — such tropical products as lemons, olives, ginger, and almonds found no suitable conditions in colonial times. Little improvement, in this period, was made in plants after their successful introduction.

Colonial Exportation to England

We need not dwell long on the trade of the colonies, either foreign or among the settlements, prior to 1700. It was after the middle of the seventeenth century before the population of New England, New Netherland, Maryland, and Virginia together amounted to 85,000. Commerce was hampered by the trials of establishing communities in the wilderness, by conflicts between companies and proprietors in Europe on the one hand and colonists who planted themselves in America on the other, and by experimentation with products not suitable to locations where they were attempted. As trade was freed, first by companies and then by Crown, as land came into wider private ownership in smaller parcels, and as individuals began to follow what seemed their private interests, exchanges were quickened.

Commerce between the colonies was inferior to that with Europe because they all drew their products from field and forest, in great part similar, with, however, the exception of fishing in New England. New Netherland with its furs and Maryland and Virginia with their tobacco had exports of immediate demand in Europe. Though New England

sent home some naval stores, this region had less of its own production for foreign trade, and was the most active in commerce with other American colonies, especially the West Indies. To the tropical islands New England sent fish, staves for making casks, grain, and pork, and took in return tobacco, cotton, rum, sugar, and bills of exchange with which to pay for the manufactured goods imported from England. While some Virginia planters had their own ships which loaded their tobacco for direct export, more depended on vessels from New England and the Hudson. Until the Dutch were excluded from the trade in 1660, they took tobacco immediately to Europe, especially Holland. Much tobacco taken by New England ships went first to the ports of that section to be exchanged for British manufactures, and sailed thence to the mother country.

By 1700, with greater maturity, the colonies had become more specialized in their products. Also by this date Pennsylvania, with its three "lower counties" (now Delaware) and West Jersey as tributary regions, was a factor in trade, and the Carolinas had been established. The population, white and black, of all the colonies may have been 300,000. The trade of the continental colonies with Great Britain in 1700 is pictured in the following table:[1]

	Exports to Britain	Imports from Britain	Total
New England	£41,486	£91,918	£133,405
New York	17,567	49,410	66,978
Pennsylvania	4,608	18,529	23,137
Virginia and Maryland	317,302	173,481	490,784
Carolina	14,058	11,003	25,062
Total	£395,023	£344,343	£739,367

The commerce of the tobacco colonies with Britain was two thirds of the whole, and more than half of the remainder belonged to New England. More than twice as much was imported from Britain to New England as that section sent to the mother country, while the reverse was true of Maryland and Virginia. This was because Britain, to protect her own fishermen and farmers, put duties on the cod, grain, and salt meat which were important products of New England, while the

[1] Emery R. Johnson and others, *History of Domestic and Foreign Commerce of the United States*, vol. I, p. 74. Figures are rounded. Counting present money as worth a fifth what it was then, the total commerce of the colonies with Great Britain had a value of more than $17,000,000. Adding to the trade with the mother country that with Europe direct, with Africa, the West Indies, and the intercolonial exchanges on this continent, not to mention smuggling, the entire value of the commerce was much larger than the table gives for Great Britain alone.

tobacco of the southern colonies was compelled to go to England. So New England sold to sister colonies and the West Indies in order to get goods and money (or bills of exchange) with which to pay her unfavorable balance. Shipbuilding and shipping were natural to New England, equipped and obliged as she was to get so much of her living from the sea. Her trade with the West Indies and the southern planting colonies confirmed her in rum-distilling and slave-trading. At the same time, because agriculture was difficult and because it was desirable to limit imports as far as possible and to lay hand to all that furnished exports, New England engaged in manufactures to a larger extent than the other colonies. The southern planters, on the other hand, were content, as they were able, to send their desirable staples to England and to other colonies, taking manufactures and some provisions in return.

The commerce of New York and East Jersey showed that they were undeveloped as compared with what they were to become in the next century. There was little shipbuilding, trade was taxed, and agriculture received the main emphasis. But since provisions found a limited market in Britain, New York like New England sent flour, biscuit, beef, pork, and horses to the West Indies and to other colonies. Furs, however, were a principal item of export to Europe, though this business, as settlement pressed westward, was to pass to Canada.

Pennsylvania, almost as soon as it was founded in 1681, was ready to begin a brisk, though small, foreign and domestic commerce because the Delaware Valley had already been populated with excellent farmers, Dutch, Swedes, and English, and had such ports as New Castle and Fort Christina (Wilmington) before Penn came to build Philadelphia. The proprietor encouraged trade with the Indians with whom he kept on famously good terms, so that furs promptly became and remained an export. Taught by Maryland, Pennsylvania grew tobacco also, and had much lumber, often in the form of ships, to send to the old country. But Pennsylvania's main products were grain and meats, and as in the case of New England and New York, she had to trade them principally in America. The intercolonial commerce of Penn's province would have been larger except that there was local business between the different settlements, and many ingenious handicrafts were carried on by the artisans whom Penn attracted in such numbers. Pennsylvania, with its varied resources and activities, was more nearly self-sufficient than any other of the colonies.

Maryland and Virginia tobacco was carried chiefly in English ships and those of the northern colonies. Growth of the plantations and the

activity of New England and New York in intercolonial commerce helped to send tobacco, grain, and bills of exchange to Barbados to pay for Negroes, sugar, molasses, salt, and rum imported thence. Indeed, some Virginia merchants had agents in Nassau. Maryland and Virginia had a rich trade, equal in 1700 to one hundred and fifty dollars per capita, which was three times the average for America at that time or since.

South Carolina, with its fine harbor at Charleston, had a more active trade than North Carolina, but nothing to compare with what it became when rice and indigo were developed as export staples. In the eighteenth century South Carolina sent provisions and clapboards to the West Indies for sugar, ginger, and so on; sold pitch and tar to ship captains, and with the returns got manufactures from England. North Carolina, backward at this period, had some tobacco and furs for sale to the New Englanders who called at the small ports in passing to and from the West Indies. Both of the Carolinas were ready to trade with the pirates who constantly visited their coasts.

The Navigation Acts Barked Worse than They Bit

The commerce of the colonies in the eighteenth century up to the Revolution grew in volume in spite of wars and attempted trade restrictions of the mother country. The population by 1760 numbered about 1,600,000, or five times what it had been in 1700. The middle and New England colonies had 160,000 more people than the southern; while in the North one person in ten was a Negro, in the South three in seven were black. Burke, in his speech on conciliation, declared that British exports to the continental and West Indian colonies combined had grown twelvefold between 1704 and 1772, and that "The trade with America alone is now within less than £500,000 of being equal to what this great commercial nation England carried on at the beginning of this century with the whole world!" British exports to the continental colonies in 1760 were £2,611,000, and those to the West Indies were almost as valuable. Britain's superior solicitude for her trade with her West Indian possessions is understood when we notice that in the second, third, and fourth decades of the eighteenth century she had an unfavorable balance with the colonies which became the United States, importing from them more than she exported to them.

Then the situation was reversed, for from the decade beginning in 1740 the continental colonies imported more from the mother country than they exported there. The mainland colonies paid Britain the bal-

ance through their trade with the West Indies. Thus, the Molasses Act of 1733, which aimed to increase the buying power of those good customers, the British West Indies, had reason from the mercantilist standpoint of the mother country, though it was not enforced. On the contrary, the Sugar Act of 1764, which had the same purpose, and which was attempted to be enforced, was injurious to Britain because trade of the northern continental colonies with the foreign West Indies was the means by which the former paid for the excess of imports from Britain. If statesmen in Parliament had watched the changing course of trade between the passage of the two acts they would not have passed the second which did so much to provoke enmity here.

At the close of the colonial period, roughly 60 per cent of the trade of the American colonies was with Great Britain; the remainder was direct trade with other parts of the world, mostly southern Europe and the West Indies. The five southern colonies, however, with their tobacco, indigo (which rapidly became a factor after 1740), rice, and naval stores, traded almost exclusively with the mother country. With the northern colonies the situation was reversed. New England, for example, got two fifths of her imports from England and sent there only one fourth of her exports; more than half of New England's exports went to the West Indies. The story was much the same with New York and Pennsylvania. The northern colonies until the Revolution continued to send fish, corn, wheat, flour, lumber, and horses to the West Indies, of which the whole export was in value more than £844,000 in 1770, and took thence rum, molasses, and sugar. While most of this trade was with the British islands, trade with the foreign West Indies was especially essential to the industries and commerce of New England.

In another place we shall discuss the restrictive trade acts of the mother country as they bore on the continental colonies. Only after 1763, in the aftermath of the Seven Years' War, did they begin to be severe and arouse the enmity which led to the Revolution, but their injurious effect on the commerce of the Americans was more complained of than actual. It was in the dozen years preceding the Revolution that our trade with Great Britain reached its greatest proportions. The colonists took alarm at the threat of what might be done to confine their economic life rather than at the result of restrictions at the time. Also, along with the restraints went rewards. In 1764, Parliament transferred the import of whalebone from the Dutch to British colonists in America, and the next year put bounties on lumber and other products coming from this country.

In the period 1700 to the outbreak of the Revolution the trade between the mainland colonies did not grow as did external commerce, since the progress in diversification between the different regions was much less than the expansion of customary production. The importance of furs and forest products inevitably declined as agriculture, and to a far less degree manufactures, extended.

The colonies themselves, like the mother country, imposed all sorts of commercial regulations and taxes on trade with foreign countries and with other American colonies. Import duties were levied to produce revenue; to encourage, by favorable discrimination, imports directly from the country of origin or from Great Britain; to give an advantage to colonial and British shipping; and lastly, and with least justification, imports from sister colonies were taxed merely by way of retaliation. Thus Maryland, as a result of a boundary dispute, put higher taxes on goods coming from Pennsylvania than from other colonies and Pennsylvania similarly discriminated against Maryland.

Tobacco, furs, and lumber were favorite commodities on which export duties were laid, chiefly in order to get revenue and to make sure of a sufficient domestic supply. Almost all of the colonies granted bounties (money premiums) either to encourage production or export. While many other articles were included, bounties on hemp and flax, so much wanted by the mother country, were most common in laws of the colonies. Naval stores, pot and pearl ashes, whale oil, and shipbuilding were fostered by bounties; efforts to stimulate the growing of silk and the making of wine were unavailing. Inspection laws to guard the quality of such exports as tobacco, flour, bread, and liquor were common. Tonnage duties on ships entering colonial harbors discriminated in favor of the vessels of the particular colony and its neighbors and against foreign and even British bottoms. The colonies laid embargoes upon occasion, but with lax enforcement.

Colonial Shop Manufactures

The origin and development of manufactures in the colonies were determined, as elsewhere and always, primarily by the availability of raw materials, markets, and transportation. Subordinate influences were capital, labor, and legislation. Colonial manufactures were of three sorts — in the home and chiefly for home use, such as we described in the last chapter; in local establishments supplying a local market; and in centers of industry on a commercial scale, for the supply of the colonies

and for export. We may speak now of the last two sorts, in which industries were carried on as a business.

Colonial manufactures were most closely related to raw materials. Generally, they were primary manufactures, working raw materials into their first fabricated forms, but one step removed from the extractive industries. The main natural resource was timber, the crude manufacture of which preceded even agriculture in New Hampshire, Maine, and Georgia, and drew the labor of the settlers at the outset at Jamestown and Plymouth. Logs were riven for clapboards and staves before there were sawpits and sawmills. The making of casks, the prefabrication of houses for export to the West Indies (which sounds very modern), the getting-out of ship timbers and shipbuilding itself, the manufacture of pitch, tar, turpentine, and resin, and the production of charcoal and potash were all based on the forests. Production throve best where woods, water transportation, and water power met, as along the fall line of the rivers.

Iron was found in all of the colonies and was exploited in most of them. It was of two sorts — bog ore dredged up with great tongs from swamps and ponds in the coastal districts, which chiefly supplied the smelters, bloomeries, and forges for the first century of settlement; and rock ore dug later in the hilly regions. Water percolating through sand and gravel brought the iron in solution to the ponds where, partly through the agency of minute organisms, animalculae, it was deposited and, mixed with vegetable matter, became a spongy sediment which renewed itself in twenty or thirty years. A few bogs were worked for a hundred years without exhaustion. This bog ore served well enough for the casting of hollow ware, such as pots and kettles, but was inferior to the brown hematite and magnetic ores of the western counties — particularly those at the junction of Connecticut, Massachusetts, and New York — for wrought iron and steel. The ores, as smelted in colonial times, yielded from 20 to 50 per cent or better of crude iron. Practically all of the colonial works used charcoal for the fuel; along the seashore, where limestone was not available, oyster shells were the flux; that is, material to be melted in the furnaces to unite with and help separate the impurities of the ore.

The abundance of furs suggested the hat industry. Deerskin and other hides supplied the many tanneries, and leather was made not only into shoes, notably at Lynn, Massachusetts, but into breeches and other garments.

The fishing, particularly of New England, gave rise directly to the

extraction of oil for lubricants and light and to the making of candles. It indirectly determined most of the industries of the colonies which took to the sea. As Malcolm Keir has shown with engaging detail (*Manufacturing Industries of America*), it was responsible not only for the getting-out of timber for the construction of ships, but for the manufacture of cannon, bells, anchors, and much of the nail-making; rope walks, sail lofts, and the weaving of canvas were ancillary to it; cooperage, the salting and packing of provisions and the distilling of rum for the crews, and the evaporation of sea water for salt were sustained largely by the fisheries.

New England fished because it could not farm to equal advantage with the other colonies, but this was only one stimulus which made those colonies the leaders in such manufactures as existed. Another, which we frequently have reason to remark upon, was the absence in New England of staple products to be traded to the mother country, so that she had to make for herself commodities which other colonies drew from England. In all of the colonies, however, agriculture contributed to several crude manufactures, notably the grinding of corn and wheat, which scattered everywhere little local mills and in some instances reached export proportions. Textiles were as much dependent upon agriculture.

The manufacture of glass, brick, and tile found sufficient raw materials; the two latter were less local industries than one might suppose from the small value and bulkiness of the products, for they were sometimes carried as ship ballast.

Reasons for Small-Scale Manufactures

Because of scattered population, particularly in the planting colonies, and of the almost prohibitive cost of all land-carriage and much water-freighting, colonial industries in the main were small-scale, dispersed, and unspecialized. Developed manufactures depend upon cities for ready markets, gathering and warehousing of materials, accumulation of capital, and supply of skilled labor. Manufactures in all of the higher forms require co-operation, which implies density of population. At the time of the Revolution, Philadelphia was the largest city, with three thousand population; New York had two thirds as many inhabitants; Boston and Charleston were smaller cities, while Newport, Baltimore, and Providence were mere towns. At the end of the period there were

fewer than three million people in all of the colonies, and a fifth of these were slaves.

How a thin population and poor transportation discouraged manufactures may best be seen in the case of the southern colonies, which presented other disadvantages as well. It was said of the Carolina planters in 1717 that "living in a wilderness, incapable of mutual aid, the necessary artisans find no encouragement to dwell among them." Also, slaves consumed only the minimum of manufactured goods from whatever source and had no choice in what they obtained.

Since in the colonies generally the market for the products of a manufactory was local, plants were small. Even had capital been available, there was no point in building larger dams for harnessing the wider and more powerful falls. Indeed, to utilize continuously the small water powers that were made available, it was often necessary to operate under one roof a gristmill, sawmill, forge, and fulling mill. These little plants, moreover, were apt to be migratory, for the bog iron or lumber on which they depended would give out. Some of the larger establishments were conducted by English or colonial companies which had access to capital and employed trained managers, but most of those who conducted manufactures were artisans but a few steps removed from agriculture.

The modern American industrial corporation may have descended from the philanthropic manufacturing societies formed in Boston, New York, Philadelphia, and elsewhere, beginning at the middle of the eighteenth century. Citizens and the public treasury who wished to give employment to the poor in making textiles and at the same time promote American industry subscribed for shares. Though there were localities which, in the colonial period, showed a relatively marked concentration of mills and handicrafts — such as Wilmington on the Brandywine, Lancaster, and the Moravian communities at Ephrata and Bethlehem, Pennsylvania, and Salem, North Carolina, there were not, before the Revolution, any establishments which we could call true factories.

Other causes tended to keep colonial manufactures on a small scale. One of these was the limited money economy. Many mills and craftsmen accepted payment for their services in the form of toll, or took whatever staples of the neighborhood passed for "country pay." Barter restricted the scale of manufactures because it confined the market and made it dangerous for the enterpriser to accumulate a surplus in a few commodities, since these might fluctuate violently in value. Rapidly depreciating colonial currency stimulated American manufactures at

first, but led in later stages to the reverse effect, for workmen could buy less with their money wages and the manufacture of articles in the home gained at the expense of the commercial establishments. Colonial manufactures were kept small by lack of capital. Most of the wealth was in land and its improvement, and other enterprise was looked upon as hazardous. Traders in the coastal towns accumulated funds, but their interests were opposed to the increase of colonial manufacture. In a young society where all were more nearly equal in wealth than at present, there was no investing class. Public bodies frequently tried to supply the lack of capital by subsidies to manufacturing establishments.

Dr. Clark in his *History of Manufactures in the United States* considers that "the relatively high cost of labor was the most marked symptom of the complex of economic conditions that discouraged manufactures in America" in the colonial period. Wages of colonial artisans and industrial workers ran from 25 to 50 per cent higher than those paid in England. One might suppose that this disadvantage of American manufactured commodities, in competition with those of England, might have been neutralized by the freight charges in a three-thousand-mile voyage, but ships plied between the two countries chiefly for the heavier ladings moving to England, so that English goods coming here saved bringing mere ballast. It was difficult for a colonial manufacturer to persuade skilled European workmen to come to such an alien environment. Those procured were apt to be the less reliable and less trained. Most indentured servants were fit in the first instance only for agriculture. Anyway, there was always the pull of the land; a skilled man in a short time would earn enough to buy a farm. A number of the better industrial enterprises owed their success to groups of immigrant artisans who had some community of interest before they came over — English shipwrights, ironworkers, and textile operatives in Massachusetts, German ironworkers in Virginia, and weavers at Germantown, Pennsylvania, Dutch paper-makers, and others.

Public Encouragement to Industry

Manufactures were encouraged by colonial governments and by public societies. Massachusetts early made a certain amount of spinning obligatory in families; Virginia forbade mechanics to plant tobacco and corn, and counties were required to set up public tanneries. Bounties and premiums were given for raw materials of manufactures, for finished goods and inventions. Textiles formed a favorite field. The northern

colonies granted land to manufacturers, such as iron-masters, or those starting gristmills. Public loans were made; exemption from taxation, often for seven years, was allowed industrial enterprises, or lotteries were authorized in their behalf. Our American patent system has descended from colonial practice. The first patent was that given by Massachusetts in 1646 to Joseph Jenks for sawmills and scythes, his scythe being long and thin, stiffened by a bar of iron welded to the back of it, an improvement over the earlier thick, short blade. Monopolies were permitted for better methods of salt-making, even for the manufacture of tobacco pipes. The colonies used export prohibitions or export duties to keep at home the raw materials of manufactures, especially hides and wool. Import duties were primarily for revenue.

Colonial towns or provincial legislatures extended public authority over mills, because such establishments were regarded as affected with a public interest, and because they utilized water powers which were important to the community. The construction of mill dams was regulated, toll charges of gristmills were set by law, and there were inspection and grading of product and the marking of containers to protect quality. Our pure food laws and others intended to protect the consumer and our trade-mark system stem from colonial acts.

Following this review of the general aspects of colonial industry, we may turn to consider briefly the more important of the particular manufactures.

Colonial Iron Manufacture

The colonists, early and later, found ingenious ways to dispense with iron, which was expensive to import from England and to carry overland in America. The pioneers even did without all but the most necessary iron and steel tools, often building cabins and barns with little else besides an axe. Logs were notched at the ends, hinges and latches were made of wood, and frames were erected with wooden pegs. Still, ironworks were early begun, though throughout the colonial period they remained local in supply of the raw materials and in marketing of the products. They are roughly referred to as primary iron manufactures, as distinguished from the more elaborate working of the material, and were of five main sorts:

(1) Bloomeries were the crudest, being hardly more than blacksmith forges on which rich iron ore was turned into a semi-molten "bloom" which was then refined by hammering on an anvil, and the resulting wrought iron later was turned into horseshoes, hoes, and so on. (2)

Furnaces for reducing ore to pigs consisted of a square stack twenty or more feet high and less than half as wide in the throat or "bosh," with a hearth at the bottom on which the molten iron was run out. Such furnace stacks were often built against an abrupt hillside with the top even with the upper level, so that the ore, charcoal, and fluxing material (oyster shells or limestone) could be conveniently poured into them. The blast was created by leather or wooden bellows operated by water power. The furnaces at first, besides running the ore into depressions in sand and forming billets called "pigs," cast the molten metal directly into hollow ware. Some of the colonial furnaces, or parts of them, are still to be seen. As about one hundred and twenty bushels of charcoal were needed to smelt ore into one ton of pigs, the forests were thinned or entirely cut in the neighborhood of furnaces. The authors know a farm in the Berkshire hills of western Connecticut, near the center of the principal region for smelting from rock ores, which has an ancient lane still preserved, theoretically, as a public right of way because it was used by the charcoal burners to get up into Canaan Mountain. (3) In colonial practice, wrought-iron bars were packed close together, each bar surrounded with charcoal dust, horn shavings and sometimes other substances, and heated in a furnace until the iron had received enough carbon to harden it, when it was called "blister steel." The process made steel of no uniformity. (4) Forges refined pig iron into wrought iron, and worked it into bars, sheets, or such shapes as anchors. The heated pig was beaten on an anvil by a tilt- or trip-hammer operated by a water wheel until the iron was fine-grained. (5) Slitting mills ran short bars white hot between rollers which reduced them to the thickness for making into nails, shovels, or hoes. For nails, they were immediately slit into long thin strips.

The first attempt at iron manufacture in Virginia was as tragic as the second, in Massachusetts, was successful and influential. The London Company sent out to Jamestown in 1619 no fewer than one hundred and fifty skilled iron-workers to establish, on Falling Creek, some sixty miles up the James River, "three ironworks," presumably a smelter, forge, and "chafery" for refining. Mines of bog ore were opened, and the works, which had cost nearly $100,000 in today's values, were about ready to produce when the Indian massacre of May, 1622, wiped out every soul at Falling Creek, 347 persons, except a boy and girl who escaped to tell the story.[1]

[1] The site has been covered by washing of the high bank of the stream. Bog ore has been found near-by, and also pits which seem to have been dug by the original projectors. Seventy

Foundries and Nail-Making

Hardly a decade after the landing at Plymouth, bog ore had been discovered in ponds and meadows along the Saugus River at Lynn, Massachusetts, and finds even of "yron stone" were soon reported; prospectors for iron mines were sent to Massachusetts. In 1642, specimens of the Saugus ore were taken to England by Robert Bridges, who, with John Winthrop, junior, and a dozen Englishmen, formed "The Company of Undertakers for the Iron Works." The original capital was one thousand pounds, later added to by colonists. In 1644, the General Court granted the company three square miles of land at six places, and a monopoly of iron production in the colony. The workmen were from Hammersmith, near London. Here the dies for the famous pine-tree shillings were made. The works at Lynn were continued for a hundred years. James and Henry Leonard, with capital locally subscribed, started a bloomery at Raynham in 1656, which was successfully operated for two hundred years, and the buildings were demolished only fifty years ago. By 1731 there were in New England six furnaces, nineteen forges (probably mere bloomeries), a slitting mill and a nailery. A slitting mill, if nail-making was carried on in conjunction, could employ some three hundred workers in this laborious hand process. However, the manufacture of nails was mostly carried on by farmers in their own homes in winter.[1]

The century following 1650 served to exhaust the woods of eastern New England and to use up most of the bog ore so that smelting furnaces went out of blast there. By this time settlement had moved westward to the valleys beyond the first ranges of hills and these new communities along the Connecticut, Housatonic, and other streams developed their own manufactures, beginning about 1750. The rivers gave easy transport to markets. The center of the industry in this later period in the northern colonies was Salisbury, Connecticut, whose Ore Hill Mine was one of the richest and largest. The whole country is underlaid with limestone for flux, and the Berkshire Hills were then even more heavily

years later William Byrd, founder of Richmond, tried unsuccessfully to revive the undertaking, and Archibald Cary, before the Revolution, had a small forge at the place, using pig iron from the furnaces of the Rappahannock, the Potomac, and Maryland. Thirty-five years ago there was a truncated stone stack against the bank of the stream, which may have been Cary's forge.

[1] Anyone who has had occasion to make repairs on an old New England house has come upon quantities of hand-made nails, looking much like our nails of today, but with larger, irregular heads. They are sold in the Connecticut Valley for very particular jobs of restoration for a dime or so apiece. The domestic industry was replaced by the nail cutting and heading machine of Jacob Perkins of Newburyport, Massachusetts, patented in 1795 and capable of turning out 200,000 nails a day.

wooded than today. Iron made with charcoal from the Salisbury ore was the very best in America, nearly the equal of English mild steel, and for this reason was especially prized for edged tools and guns. By 1800 there were fifty furnaces and bloomeries in Litchfield County, in which Salibury is located, and four slitting mills.

The celebrated Sterling Works, near West Point, became the center of the iron industry in New York. Several blast furnaces and forges were erected for the manufacture principally of anchors, and before the Revolution became the property of Peter Townsend. These works made the huge chain which was stretched across the Hudson River at West Point to prevent British warships from coming up.[1]

The desire of the mother country to get pig iron from America, in order to save her dwindling forests, is illustrated by the Principio Company of Maryland, which, started about 1720, eventually ran the largest works in the colonies. The enterprisers were English iron-masters and capitalists. Ore was brought in sloops from several points in the Chesapeake Bay area. The bar iron was sold in America, but the surplus of pigs, amounting to half the total American export, went to England. Pennsylvania made a later start in iron manufactures than did the New England colonies, but then progress was rapid. As works were established inland they centered at Lancaster, which was a convenient point of departure for those seeking new homes in the valleys to the southwest. Governor Alexander Spotswood in the first half of the eighteenth century did much, with the help of German Palatines, to revive the iron industry in Virginia, having three establishments in the Rappahannock region, of which one, curiously enough, used limestone brought as ballast from England.

Sawmills and Gristmills

Sawmills were a most grateful aid, because wood was an article of prime necessity and because the hand methods of getting out lumber were among the most laborious and expensive. "Hewers of wood" is

[1] In March, 1778, Colonel Timothy Pickering and an army engineer came to Townsend's house late on a Saturday night and asked if he could forge the chain. The party immediately set out, in a snowstorm, for the works, and Sunday morning the forge fires were blazing and the hammers pounding. The links, of iron bars two and a half inches square, were two feet long and weighed over one hundred pounds each, and were carted to the river twenty-five miles to the east. Here the links were joined and the chain, weighing 186 tons, was secured to the rocks on each side. It was supported by huge logs lying with the current and pointed at the ends and anchored to the bottom. Links of this Sterling chain are to be seen in museums. Two other chains, one of which was broken by the British, were stretched across the Hudson during the Revolution.

no more the symbol of distressing human exertion than sawyers of wood, especially where large timbers were worked upon. The first sawmills were erected in Virginia, to displace the old sawpits, in the sixteen-twenties, and in New York and Massachusetts a decade later, a full generation before they were used in England. Hand-sawyers, however, continued in demand in the colonies for a long period.

The usual colonial sawmill cost, for dam, race, and the mill itself, one thousand dollars or less. The colonial mechanical saws were not circular, but straight like the present lumberman's saw, only longer and heavier. A crank on the water-wheel gave the force for the down stroke, and the saw was pulled upward again by a springy pole. A few mills had as many as twelve or fourteen saws. One of the smallest mills, which might be built on any creek, would saw a thousand feet of lumber a day, with the work of a man and a boy, taking the place of twenty hand-sawyers.[1]

The colonists at first prepared their grain by pounding it in a mortar (a hollowed stone or section of tree-trunk) with a heavy pestle after the fashion of the Indians. Windmills were used from Virginia to New England, and there were more horsemills. Water-driven gristmills were built in Virginia a dozen years after settlement, and a decade later they appeared in New England. They used undershot wheels, wasteful of water. Besides the local custom mills grinding on toll, merchant mills bought their grain and sold meal and flour, often exporting these to the West Indies and the mother country. The more important of the merchant mills clustered at Wilmington, Delaware, Baltimore, and Richmond and Petersburg, Virginia. The largest mills shortly before the Revolution could grind one hundred thousand bushels of wheat in a year. In the frontier districts, back in the woods, the mills were very small, just like those which were discontinued only within recent years when the government took possession of the mountain areas which have become the Shenandoah National Park.

Oliver Evans, of New Castle County, Delaware, made his revolutionary improvements in grain-milling shortly after independence was won, but they may be referred to here. Evans, who is better known for his first successful application of the steam engine in America, devised equip-

[1] The remains of one of the ancient sawmills may be seen at Swallow Falls in the westernmost part of Maryland. The natural water power is spectacular, since no dam is necessary. In the rocks are drilled holes which received the bolts to keep the framework in place. The saw itself, preserved by the State Forestry Service, is a savage sash of iron twelve or fourteen feet long, a foot wide in the middle, and with four-inch teeth. "Up-and-down" saws continued to be used in country mills until recent times.

ment for conveying grain to the top of the mill and cleaning it on its gravity descent to the hoppers; thence, after grinding, it was conveyed to the top of the mill again, in its second descent being cooled, bolted, and barreled, the only manual operation being that of heading the barrels. He had a hard time inducing the conservative millers to install his machinery.

To make woolen cloth more presentable and durable, fulling and other processes were necessary. Fulling, crudely done in the colonies, consists of matting or felting the fibers to fill the interstices in the weave. This was accomplished by pressing or pounding the cloth after it had been wet and soaped, and the unwanted oil of the wool was further taken out by applying fuller's earth, a fine absorbent clay, some of which was later removed by final washing. Since manufacture of woolen cloth was mainly carried on in the household, fulling mills were neighborhood affairs, often conducted in conjunction with gristmills and sawmills.

Leather, Paper, and Glass Manufacture

The tanning of hides and the dressing and working of leather were among the commonest crafts of the colonists. Tanning is the use of astringents to shrink the gelatinous membranes of the skin and prevent decomposition. Wild animal skins, procured by the colonists in their own hunting or in trade with the Indians, furnished much of the leather for clothing — coats, vests, doublets, leggings, and shoes very like moccasins, in which the uppers were formed of the same soft leather as the soles. This was especially true in the southern colonies, where much leather clothing was worn by women as well as men. South Carolina and Georgia supplied to Europe and the northern colonies enormous quantities of buckskins and doeskins, some of which were tanned before export, but the larger part was shipped raw.

Cattle multiplied in the colonies despite cost of importation, attacks of savages, wolves, and neglect. All of the colonies, after the first few years, had more hides than tanners to save them. The usual colonial tannery consisted of boxes of heavy plank or hogsheads sunk in the ground near a stream for immersing the hides in the infusion of tanbark, with other vats above ground for liming and washing. The work was carried on in an open shed. Leather was so important in a new country that colonial and local authorities made elaborate rules for the preparation and working of it.

Shoemakers were among the first artisans to come to the colonies, and

in addition to setting up their shops in every locality, they traveled from farm to farm with their few tools, working until the needs of the family or immediate neighborhood were supplied. Lynn early became the leading shoe center for the colonies. Along the whole north shore of Massachusetts Bay the men went to sea; the large supply of female labor thus available was put to use after 1750 when a Welsh shoemaker, John Adam Dagys, arrived with the idea of division of labor in the manufacture, each worker producing only her particular part of the shoe.

The first paper mill in the colonies was built by a small company, of which William Rittenhousen (the name has become Rittenhouse) was the technician, on a brook flowing into the Wissahickon at Germantown, Pennsylvania, shortly after 1690. Rittenhouse had learned the art in Holland. The neighborhood of Philadelphia continued to be the chief center of the industry, and a few years before the Revolution had some forty paper mills when New England had only three. Manufacture was largely by hand. Rags were cut on a scythe fixed in a post; these pieces were macerated by power-driven rollers revolving over a bed of knives; after the pulp had been prepared in vats, the sheets were separately formed in molds, and days were required for drying, sizing, and finishing. No bleaching process was known, so that even with the use of white rags only the sheets were tawny.

Efforts to Manufacture Glass

The first glass manufactory in America was the little glass-house set up in the woods a mile from Jamestown by Dutch and Polish workmen in 1608, and a "trial" of their glass was sent back to England in the ship that brought them over. In the spring of the following year the work went on with alacrity, but after Captain John Smith left Jamestown the glass-making, like much else, was neglected. The American colonists made repeated but not very successful efforts to manufacture glass, because it was so much needed, was expensive to buy in England and more expensive to transport, and because the new country had for the purpose abundant fuel and potash, from the clearing of the forests. The great item of cost was for skilled workers, who had to be brought over specially. Glass was one of the commodities on which Townshend laid duties on importation into the colonies, so that fresh efforts were made to produce glass in America. Most notable of these was the establishment at Manheim, Pennsylvania, of Henry William Stiegel (1729–85), a German of wealth. He tried to conduct a sort of medieval barony in the alien

American environment. He erected several large houses on his lands; it is said that when his arrival was announced, the German workmen were to leave glass-furnace and forge (he had ironworks there too) and come up to the great hall to sing and play for his guests. In spite of ostentation, he made money for a few years, as he certainly made the best glass in America — flint glass and especially a celebrated blue tableware.

References for further reading will be found at the end of Chapter 7.

Chapter 5

Old Colonial Policy

THOUGH we do not meet with the first of the Navigation Acts proper, governing trade and shipping, until the middle of the seventeenth century, control by the mother country of the economic life of the American colonies, and particularly of their trade, ran back to the founding of the plantations. It was taken for granted in England that colonies were established for the benefit of the old country. They were outside the realm, but were politically subordinate to the home government. The whole of the colonial commercial policy of England was a gradual growth, given a particular turn here and there by some external event, but preserving always a continuity. England, for her part, at no point considered herself tyrannical, nor did the colonists recognize themselves as insubordinate. The Revolution, when it came, appeared in the guise of an attempted vindication of rights, but it was really a division of interests between the contending sides. Internal changes in the structure of society in both England and America, in addition to contentions across the Atlantic, contributed to the result. Democracy was making its claim against authority in both countries.

In discussing England's relations with the American colonies, we distinguish, broadly, between the "Old Colonial Policy" and the "New Colonial Policy." The first continued until the aftermath of the Seven Years' War. In this long period British control did not bear with special severity on the American continental colonies. Orders issued and actions taken were part of an acknowledged imperial system. Much was done to promote prosperity in the colonies or to compensate for exactions. Constantly imperfect enforcement and sometimes marked indifference combined with dependence of the colonies on the mother country to prevent complaint here.

Different conditions beginning in 1763 prompted British legislators and administrators to rule by the so-called "New Colonial Policy." Britain's successful struggle against the French colonial power was at the cost of debt and dissension. The American colonies, with little effort

on their part and indeed in spite of some disloyalty, had profited in territory and security; but they had developed to the point, economically and politically, where they would not share burdens or accept further control by the mother country without argument. British ministers, therefore, adopted special measures toward the American colonies, at first corrective and then punitive. The spirit in which these orders were issued and received led to the Revolution.

Our first episodes in colonial regulation have to do with Virginia tobacco, as this for a number of years was the only important colonial export to the mother country. No sooner was a tax upon it collected in England than characteristic developments occurred. The Virginia Company protested that it was being charged a double import duty; it was willing to pay the regular customs of sixpence a pound, but not the extra sixpence imposed by the King for his private revenue. King James I, in common with most public men of the time, reprobated smoking, having said in his *Counter-Blaste to Tobacco* that "there cannot be a more base, and yet hurtful corruption in a Countrey, than is the vile use (or rather abuse) of taking *Tobacco* in this Kingdom." But he wanted his income from the weed. The result was that in 1620 a bargain was struck between Company and King. The Company agreed to pay the full shilling duty, and the King prohibited the growing of tobacco in England, so as to free the Virginians from this serious competition.

In the first four decades of the seventeenth century the policy was matured to require that all products of the colonies in America be sent to England. The only exception was codfish from Newfoundland, which could be sent directly to the Catholic Mediterranean countries because in this trade English fishermen must compete with the Spanish and French. Royal officers in Virginia compelled ship captains to give bond securing that they would land their tobacco and other lading in an English port, and orders to carry out a similar practice were given to the companies and proprietors of other colonies. Naval commanders were active in seizing and sending on to London ships which had not given bond. Thus, Captain John Penington recorded: "We sent one of our Master Mates and 6 men aboarde the Alexander that came from the Barbados, with order to carry her up to London, the Captain beinge minded notwithstandinge his bond to goe over for Holland." Not only did the mother country, by such regulation, secure the commodities of her colonies, but the Treasury benefited from the import duties. In addition, it was very early understood that if the colonies were not bound to England commercially, their political ties with the mother country

would soon be weakened. Before Jamestown was two decades old it was observed by a member of the Virginia Company that if the colony were given liberty to send its exports directly to foreign countries, this would "produce an independence vpon this Kingdome mutuall comerce beinge the strongest bond yt will vnite Virginia to this State." In 1621, when the Virginia Company, in an interlude of the regulations, planned to send all of the colony's tobacco immediately to Holland, where the duties would be one fiftieth of those charged in England, the Privy Council disallowed the plan.

Violations of the regulations were not very frequent or deliberate. Guarantee of the English market to the colonial shipper was probably a fair compensation for exclusion from direct trade with other countries. Because of cultural ties with the mother country and of international antagonisms which were so sharp at the time, the bulk of the colonies' trade, both export and import, would have gone to England even in the absence of regulations to compel it.

After a while the English government began to practice the same exclusions on foreign vessels which had been placed in the power of the colonizing companies. At first no foreign ship was permitted to take cargoes from the colonies unless brought to England; later they could not load at all in the colonies, but might bring goods thither. In the early sixteen-thirties all trade of foreigners was forbidden. It was found that if foreign vessels went to the colonies, they were apt to evade regulations and take colonial goods out to their own countries, to the injury of England. Furthermore, the colonial market was to be saved for the English manufacturers, and England's mercantile marine was to be encouraged by giving it exclusive rights in traffic with the colonies. These motives, of which we see early expression here, became conspicuous later.

Also at an early period we notice intimations of the struggle between Parliament and Crown for the control of the American colonies. The first two Stuart monarchs, James I and Charles I, sought to buttress their inherited prerogative with claims of divine authority, while Parliament was preparing for the assertion of power springing from the people. At the beginning of American settlement the colonies were dependencies of the Crown and governable by the King. At the end of the colonial period Parliament had succeeded in making good its claims above those of the Crown. Already in 1621 we come upon an incident in this long contention, Parliament declaring that it had the right to "make laws for Virginia," while a minister of the King countered successfully that

it was not proper for the bill to be before the House of Commons "because it concerneth America."

The Civil War in England, which began in 1642 and ended with the beheading of Charles I in 1649, was inevitably a period which contributed to the colonies' self-direction. English control of the American colonies was relaxed because of the struggle between Cavaliers and Roundheads concerning where authority lay, and because of the war there was less time for the colonies anyway. The colonies' relative independence was increased by the division of America into royal adherents and Puritans who sympathized with the claims of Parliament. This latter group was found particularly in New England, and it was chiefly there that the former trade restrictions were abandoned.[1]

Though Parliament, in 1645, confined importation of products of the whale fishery to English ships, "divers worldly minded Persons" continued to "employ Strangers' Bottoms." The political contest, at home and in the colonies, naturally disordered trade. Ships from London and other ports in the control of Parliament attacked vessels from Bristol and other royalist ports in American waters. Ships from the colonies were kept out of one or another English port by the opposing faction. The consequence was twofold: the Dutch made important inroads on the English monopoly of the carrying trade of the colonies and the New Englanders sent their fish and lumber to Spain and the Canaries or "where they list, without knowing either duty or inspection." The Dutch from New Netherland traded so much in New England that Dutch money was made current by order of the Massachusetts legislature.

On the whole, where both lost, Parliament gained over King so far as control of the colonies was concerned. The laxness which had permitted the colonies to follow their own trade bent and produced the marked increase in Dutch enjoyment of the colonies' commerce set the stage for vigorous action by Parliament once the Civil War was won and the Commonwealth proclaimed.

[1] This sympathy between Puritan Parliament and Puritan New England was exemplified, fifteen years after the beheading of Charles I, by the concealment in Hadley, Massachusetts, of two of the "regicides." They were Edmund Whalley and William Goffe, who had been members of the court which condemned the King; when Charles II, restored to the throne, issued warrants for their arrest, they fled to Boston and on to Hadley, where they were hidden for many years in the house of the Reverend John Russell. Bones supposed to be those of Whalley were found long afterward buried in the cellar of the Russell house.

Navigation Acts Put Colonies in Leading-Strings

Some of the colonies — particularly Virginia, Bermuda, and the Barbados — remained royalist, condemning as treason the execution of Charles I and acknowledging his son as their king. Thus, about 1650 we find the beginnings of rebellion in the colonies against the authority of Parliament, with the Barbados talking about the slavery of submission to a legislature in which it had no representation and with some in the colony having "a design to make this place a free state. . . ." Parliament on its part moved quickly to suppress such disaffection with military expeditions to the West Indies and the Chesapeake and to follow force with punitive regulation of trade.

In 1650 Parliament passed an act declaring its right to control the colonies, and shutting off the defiant ones from all trade, since they were composed of "notorious Robbers and Traitors, and such as by the Law of Nations are not to be permitted any maner of Commerce or Traffique with any people whatsoever." This embargo against the colonies disloyal to Parliament was special and temporary. Another provision was general and more permanent. Reviving action taken several times before, it forbade all foreign ships to go to any of the English colonies in America.

The next year Parliament passed a more elaborate measure, the main purpose of which was to exclude the Dutch from the English carrying trade. The great London commercial companies appear to have been active in the framing and passage of the ordinance. This law of 1651 is usually called the first Navigation Act. Its principal provisions whittle down to the following:

(1) No goods produced by Asia, Africa, or America were to be imported into England, Ireland, or the colonies except in ships owned and for the most part manned by Englishmen, including colonials.

(2) No European goods should be imported into England, Ireland, or the colonies except in English ships, or in ships belonging to the country where the goods were produced or to the port of usual first shipment.

These two prohibitions were aimed against importation in Dutch ships of any but Dutch commodities. The busy little vessels of Holland could not go about from one European port to another picking up goods and bring them to England or her possessions. But if the act hurt Holland, it limited the operations of English merchant ships also, for it declared that:

(3) No foreign goods were to be imported in English ships unless from the place of production or usual first shipment, trade with the Mediterranean and the East Indies excepted.

This provision looks like an excess of zeal, for it meant that English ships were much hampered in their trade with the Continent through the necessity of making longer voyages, often with light cargo, for they could not touch here and there until they had filled their holds for England any more than the Dutch or other foreigners could.

(4) No salted fish, fish oil, or whale fins could be imported into England or its colonies unless caught in English ships, or exported thence except in English ships.

This was to eliminate the Dutch as far as possible from the North Sea and American fisheries, but within a few years it was admitted that anything like strict enforcement was impossible.

This act affected the colonies only as it prevented foreign (principally Dutch) ships from taking colonial goods to England and from importing European goods, except those from their own countries, into the colonies. Not until later statutes were the devices of enumeration and the staple incorporated into the comprehensive trade laws; by the terms of the Statute of 1651 it was still possible for the colonies to send their products to the Continent or elsewhere and to get manufactures directly from the countries of origin; their trade was not confined to England. What stood in the way of this relatively free commerce was the Statute of 1650, by which foreign ships were forbidden to go to the American colonies. The colonies contended that the Act of 1650 no longer applied after the rebellious royalist colonies surrendered; several of these had their old trade liberties specifically returned to them, and in America it was felt that, anyway, the law had been punitive and its prohibitions no longer held when the purpose had been accomplished. Virginia, New England, and the West Indies wanted again to receive and send off their goods in Dutch vessels. But in England it was maintained that no foreign ships could trade with the colonies. A few Dutch ships were seized in America, but most of the policing had to be confined to English waters.

The Dutch protested against this legislation, but Parliament replied that "it would be . . . dishonour to revoke an act of that nature for the pleasure of any foreigner," and that, besides, the English were rigorously excluded from trade with the Dutch colonies. However, most of the trade of the American colonies, particularly those of the South, was with the mother country, and goods sent to the Continent went in English

ships. At this time, and through the whole of the colonial period, England accorded to the Americans privileges and benefits which substantially compensated for the restrictions imposed. England helped the continental colonies by fostering those of the West Indies. In the decade of the Commonwealth sugar rapidly displaced tobacco in the insular possessions. This was of indirect advantage to the Virginia tobacco planters. Cromwell was solicitous for the newly acquired Jamaica, and made an early attempt at resettlement of people from submarginal land to aid that colony. Those to be transferred were the New Englanders, who, "driven from the land of their nativity into that desert and barren wilderness for conscience' sake, may remove to a land of plenty." But the New Englanders did not relish the prospect of the West Indian Canaan, and were content to use it as a brisk market for their fish, grain, lumber, staves, and horses.

The Cromwellian era saw the first formulation of English colonial and commercial policy. After experiments and confusion in administration, two standing committees were appointed in the Council of State, each composed of merchants and officials — one for trade and navigation in 1655, and the other for the plantations in 1656. This development paved the way for simpler, more uniform management of the colonies after the restoration of the monarchy.

English Shipping and Enumerated Commodities

When Charles II was restored to the throne, every circumstance contributed to vigorous regulation of trade and the plantations, to increase English shipping and add to revenue through duties and expanding exports. The decade of Commonwealth and Protectorate had not visibly crippled the Dutch, despite the Navigation Act of 1651 and the subsequent war with Holland. On the contrary, England's relative trade position was worse than before. The national deficit was twice what it had been, and taxes were hard to bear in the midst of business depression. Noblemen united with merchants of London to develop and secure the resources of the colonies in America.

Hence the Navigation Act of 1660. It had to be passed because the Ordinance of 1651 was held to be no law after the restoration of the monarchy. It contained two important new features, in addition to the re-enactment of earlier provisions:

(1) Trade of the English colonies was confined entirely to English and

colonial shipping. No longer could foreign ships take products of their own countries, even, to the English colonies, or carry back colonial products to the Continent of Europe, as was allowed by the Ordinance of 1651.

(2) England was made the staple of certain leading exports from the colonies — that is, these "enumerated commodities" had to be sent in the first instance to the mother country, even though they were in large part later to be shipped elsewhere. As we shall see, an Act of 1663 carried mercantilist policy further, and made England the staple not only for important exports from the colonies, but for imports into the colonies.

We may speak of these stipulations in more detail. English shipping meant vessels built in England, Ireland, or the colonies, of which the master and three fourths of the sailors (not "for the most part of them," as in the Ordinance of 1651) were of these places. The ships must now be constructed at home or in the colonies, and not simply owned there. So many vessels slid down the ways of the northern colonies in America that, two generations after this act was passed, the master shipwrights of the Thames wanted construction of merchant bottoms confined to England, but this was refused. The requirement about three fourths of the sailors often led to amusing litigation; a master, on the voyage having lost members of his crew through desertion, would pick up Negroes and East Indians, sometimes returning to England short by half a sailor of the legal proportion! The mercantilist officials were a humorless lot.

The Act of 1660 was more liberal to English shipowners and merchants than the Ordinance of 1651 had been, and less liberal to those of the colonies. By the earlier law, ships of the British Isles could bring away Continental European goods only from the countries of growth or usual first shipment, but under the later statute this requirement was confined to certain specified products. Others could be loaded anywhere; at the same time the trade of English ships with the Continent was promoted by the stipulation that foreign vessels bringing to England the enumerated commodities must be built and manned, not simply owned, in the countries from which they came. The Ordinance of 1651 had permitted colonial vessels to take colonial products wherever they chose on the European Continent, but after 1660 the enumerated products could be taken only to England. From England they were often re-exported in large quantities (usually by English merchants), but the duties, insurance, rehandling charges, and loss of time in the roundabout voyage and waiting in the English port added some 40 per cent to the

price which the goods must finally fetch, which limited the colonies in disposing of their output.

The device of enumeration, or of requiring that certain products of the colonies be brought to the mother country, had been used earlier than 1660, as we have seen. It was an inevitable policy of mercantilism that raw materials should be drawn into the home country from her dominions and be paid for by exports of manufactures, rather than bought from foreigners who demanded money. Moreover, raw materials were to be procured within the empire without danger of interruption by war or embargo. What were colonies for unless to contribute to the wealth of the mother country? The clause enumerating American colonial products which could be shipped only to England was inserted late in the legislative history of the act, probably at the insistence of merchants who were injured by the other portions of the law which were designed for the advantage of shipping. It named only a few products — sugar, tobacco, cotton, indigo, ginger, fustic and other dye-woods. These came altogether from the southern continental and West Indian colonies. England possessed, or was better supplied from elsewhere, with the fish, lumber, naval stores, grain, hides, and horses which were principal exports of the northern colonies, so these were not enumerated, and New England, New York, and Pennsylvania could ship their output where they wished.

The enumerated commodities were needed in British industries or were put on the list in order to yield a customs revenue. We are concerned with sugar because of the part which encouragement of that industry in the West Indies was to play in bringing on the Revolution. Its enumeration assisted British manufactures and injured the French West Indian islands which were rivals of Barbados and Jamaica in sugar production. The dye-woods and indigo were wanted for the woolen industry. The enumeration of cotton, which came from the West Indies but not at this time from the American continent, was to lessen the dependence of England on the East Indian calicoes.

She Had Them on Her List

Tobacco, the leading colonial export, remained on the enumerated list till the end of the colonial period. The enumeration and the high duties charged on it in England (at times equal to 200 per cent) helped lower its price. Further, the colonists did not enjoy a complete monopoly of the English market, for attempts to suppress its growth in England

were never entirely successful, and foreign tobacco was imported from the East Indies, Holland, Spain, Portugal, and Turkey, besides much smuggling. The English market for tobacco was thus frequently glutted, prompting restrictions on the Virginia production and sometimes outright destruction of colonial tobacco. However, about four fifths of the American tobacco finally came to be re-exported from England to the northern European countries, and on this re-export nearly the whole amount of the duty was remitted.

More and more colonial commodities were enumerated as time passed, either to serve the needs of expanding English manufactures or to add to the revenue. This went on until, a decade before the Revolution, all colonial products had to be sent to England or to a port south of Cape Finisterre — just above Portugal, the westernmost point of Spain — that is, England had reached the full mercantilist design of monopolizing the output of her colonies, either for her own manufacture or use or to be able to send them to northern Europe to help her balance of trade. We may mention briefly some of the principal products as they were put on the list from time to time.

Rice and molasses were enumerated in the same year, 1704. Molasses was enumerated mainly to injure the Dutch distillers of rum. About 1688, a sea captain gave to a resident of Charleston a bag of seed rice which he had brought from Madagascar off the African coast, and cultivation spread rapidly in the low country of South Carolina and Georgia. It was said to be the best rice produced anywhere in the world. Most of the export went to Holland and Portugal. The duty on rice came to be about 100 per cent, but almost all of it entering England was re-exported with remission of most of the duty. It was the additional freight charges, cost of handling, and so on, which increased its price by one third. Thus, Carolina rice lost the southern European markets to Egypt and Italy. This was a situation which hurt the American planters and the English merchants trading to Spain and Portugal, and helped nobody except brokers and warehousemen. Consequently, the agents of South Carolina in England petitioned for years for relief; in 1730 and 1735 it was allowed that South Carolina and Georgia rice might be shipped freely and directly to any port south of Cape Finisterre. But so far as the Dutch and German markets were concerned, rice remained an enumerated commodity until the end of the colonial period.

Naval stores, such as masts, bowsprits, yards, hemp, flax, pitch, tar, turpentine, and resin, were enumerated in 1705 and 1729 when bounties — that is, payments for their import into England — were allowed on

them. The reasons for these measures were several: England's naval stores, essential to commerce and her many naval wars, were largely procured from the Baltic countries, where the balance of trade was heavily against her, amounting by 1730 to three quarters of a million pounds. Also, the Swedish Tar Company, which had a monopoly at the time of the entrance of England into the War of the Spanish Succession, decided to sell tar and pitch to England only at the Swedes' own price, and they must be carried in Swedish ships. This was a threat to English security on the sea which prompted the English envoy to Sweden to write home that it would be better to procure naval stores from the northern colonies of America at a third greater cost "than have it at such Uncertainties, and in so precarious a manner from other Countries." Further, unless the New Englanders had goods to sell to the mother country, they could not buy British manufactures and would be the more tempted to manufacture for themselves.

Hemp, needed for ropes and cables, was given a bounty of six pounds per ton (this amount was paid for bringing it in) and later all duties on import into England were removed, but no amount of money bait or urging succeeded in turning the colonies to hemp production, though the soil was suited to it. America imported hemp from England. White pine trees fit for masts were marked by the surveyor-general with a broad arrow to reserve them for the royal navy, but the prohibition on their cutting for private use could not be enforced. Tar was first given a bounty of four pounds per ton, pitch the same, and resin and turpentine, three pounds. These were later reduced, for the colonies, especially the Carolinas and Georgia, responded promptly to this encouragement, and England soon had enough of these commodities to export half to other countries. Much the same history attended the export of indigo, which, after earlier failures in the continental colonies, was successfully introduced into South Carolina by Eliza Lucas in 1740 and received a bounty of sixpence a pound in 1748. A quarter of a century later the Carolinas were sending England more than a million pounds of indigo. Beaver and other furs and skins were enumerated in 1721, and at the same time the import duties into England on beaver were much reduced. The theory was that this would keep the furs from going to the French, but the French had the upper hand in the trade both before and after the enumeration.

The colonists often protested loudly against enumeration as confining their market and reducing their returns. There were several offsets to this complaint. England generally enumerated those products for which

there was a growing demand in the mother country. Of the enumerated products quantities were re-exported from England to northern Europe much in the way they would have been in the absence of enumeration, for the colonists had their closest credit relations with English merchants. Nearly all of the import duties were remitted on re-export. Furthermore, enumeration was often accompanied by concessions in import duties, by outright bounties, or by permitting part of the output to be sent to certain markets direct from the colonies. Also, enumerated commodities might be shipped from one English colony to another.

Plausible Smugglers

Evasion of the act by English, colonial, and foreign shippers took many forms. Permission to carry enumerated commodities from one colony to another became a means of illegal trading. The purpose of the provision was to allow the plantations to supply their own wants for agricultural staples. But captains — they were usually colonial, but sometimes English — believed, or pretended to believe, that they had the right to take enumerated goods from one colony to another and then go with all or a part of the cargo wherever they chose. Obviously, this practice was getting around the law, for it did not supply the colonial needs and it cheated the English revenue. Consequently, after complaints, Parliament in 1673 enacted that captains lading enumerated commodities must give bond to take them to another colony or to England, and if to another colony must pay "plantation duties" which were the equivalent of the English customs. The colonists contended that, having paid the duties, they were privileged to take the enumerated goods to the Continent of Europe or elsewhere directly. This was denied by the Attorney-General in England, who declared that the plantation duties were in addition to, not a substitute for, the bond.

There was deliberate smuggling during the whole period of the Navigation Acts — how much, in the nature of the case, cannot be said with accuracy. The amount of smuggling was probably exaggerated in reports current in England. The governors in all of the colonies had to give bond to see the acts faithfully observed, and were required to send to England twice a year lists of all ships trading to their ports. The New England colonies toward the end of the seventeenth century claimed exemption from the Navigation Acts, which was firmly denied in the mother country. These colonies furnished more of the smuggling than

any others of the continental plantations, particularly in carrying tobacco to Germany, Holland, or to the Dutch West Indies. Tobacco was sometimes taken out in small boats to seagoing vessels for conveyance directly to the continent of Europe. Scotch ships (before their trading with the colonies was legal) and Dutch vessels haunted the many harbors of Long Island. There was illicit trade between the colonies and Ireland, encouraged by ambiguities in the law.

We have seen that the Act of 1660 made England the staple for important colonial products, which were "enumerated" as obliged to go on export to the market of the mother country, or if they sought other markets, then it must be through the mother country. The old colonial system was substantially completed when this principle of the staple was applied to exports to the plantations as well as to imports from them. Then England truly controlled the trade, if not the whole economic life of her colonies, and made them contributory to her prosperity, rounding out the mercantilist ideal.

This was accomplished in the Act for the Encouragement of Trade in 1663. By it all commodities of European growth or manufacture could reach the colonies only after having been carried to England in English ships, English manned, and there unladen. This requirement gave great advantages to England, and the act in its preamble recited some of them. It further employed English shipping; it kept the colonies in a firmer dependence upon the mother country; it made the colonies a "vent" for the products of England, particularly of the woolen manufacture, because now direct importation of European goods was forbidden, and the added costs in freight, duties, wharfage, and so on, gave English products the advantage in the colonial market over those of the Continent of Europe. To the extent that the colonies did draw foreign products through England, the revenue benefited; besides, the host of shipping agents, brokers, warehousemen, customs officials, and others in English ports got an important part of their living from this source.

Exceptions were allowed in cases where England could not or did not supply imperative needs of the colonies, and the roundabout voyage would have been too burdensome. Thus salt for the fisheries of New England and Newfoundland and later for New York and Pennsylvania might be brought direct from the Cape Verde Islands, and horses, indentured servants, and provisions direct from Scotland and Ireland. Wines of Madeira, the Azores, and the Canaries need not be taken to England before delivery to the colonists, usually New Englanders who took them home in return for grain and the staves which made the casks.

England the Workshop for Her Colonies

The Act of 1660 drew colonial raw materials to England. The Act of 1663 undertook to insure that the colonies' wants for manufactured goods would be supplied from England, where the raw materials would be fabricated. But another precaution was necessary to clinch the English merchant-capitalist system. Suppose the colonists should take it into their heads to manufacture their own raw materials for themselves? This would overturn the commercial policy, for the colonists would then be diverted from raising staple products for England. They would take less manufactures from the mother country, and this would diminish or even endanger England's precious favorable balance of trade, especially since the colonies might send their manufactures to markets where they would compete with those of England. Furthermore, if the colonies, by manufacturing their own raw materials, gained economic independence of the mother country, they might begin to think of asserting their political independence as well. Lord Cornbury, colonial governor of New York, showed foresight in expressing his fear:

> I declare my opinion to be that all these Colloneys, which are but twigs belonging to the Main Tree, ought to be kept entirely dependant upon & subservient to England, and that can never be if they are suffered to goe on in the notions they have, that as they are Englishmen, soe they may set up the same manufactures here as people may do in England; for the consequence will be that if once they can see they can cloath themselves, not only comfortably but handsomely too, without the help of England, they who are already not very fond of submitting to Government would soon think of putting in Execution designs they had long harbourd in their breasts. This will not seem strange when you consider what sort of people this Country is inhabited by.

The colonial governors were instructed by the Board of Trade to report all manufactures springing up and to apply the laws for suppressing those considered hurtful to the interest of England. The southern colonies demanded far less attention in this respect than the northern ones. While manufactures of glass, iron, and other goods had been hopefully started in the earliest years of southern plantations, soon staple crops, particularly tobacco, absorbed all energies. The economic principle of "comparative advantage" seemed to apply — that is, the southern colonists considered that they could get their manufactured wares more cheaply and easily by exporting raw materials than by nursing up in-

dustries among themselves. This is a seductive idea which, as much history has shown, is apt to prove fatal to the economy of a section or a country. A purely agricultural country becomes the appendage of the country in which it finds its markets and from which it draws its manufactured goods and its credit. We shall see that the southeastern part of the United States for more than two hundred years continued to suffer the disabilities of the staple crop system on which it embarked in colonial days.

On the other hand, as we have said, the northern and middle colonies had a variety of manufactures; few of them were extensive, but they were widespread and persistent. This would have come about even had not England prohibited the import of such raw products, mainly provisions, as the northern colonies had to offer. The early years of the Restoration when the landed class was in control, saw the enactment of Corn Laws to protect English agricultural rents. The northern colonies would have found it hard anyway to ship much of their grain, fish, and salt meat to England, because these were produced in the mother country. Thus it was said of the people of Massachusetts: "It is . . . presumed that necessity, and not choice, has put them upon erecting manufactures; not having sufficient commodities of their own to give in exchange for those they do receive already from Great Britain." Also, many of the settlers of these colonies were craftsmen who found abundant raw materials to hand, especially lumber for shipbuilding. The land was not rich enough nor the climate suitable for the kinds of crops which made slave labor profitable, so the small farmer remained ingenious, and his ingenuity permitted him to be in a measure self-sufficient.[1]

[1] Beverley wrote that the Virginians "have their clothing of all sorts from England, as linen, woolen and silk, hats and leather. The very furs that their hats are made of perhaps go first from thence. Nay they are such abominable ill-husbands, that tho' their country be overrun with wood, yet they have all their wooden ware from England; their cabinets, chairs, tables, stools, chests, boxes, cart-wheels and all other things, even so much as their bowls and birchen brooms, to the eternal reproach of their laziness." By contrast, in the corner of our study as we write stand a pitchfork and flail, made in southern Pennsylvania. They are beautifully constructed of hickory, the flail with a sort of universal joint contrived with a steamed, bent piece and rawhide thongs. Near these, and not a comfortable thing to stumble upon in bare feet, is a hackle for "breaking" flax. It is a heavy block of wood thickly studded with iron spikes, hand wrought. Any museum of early American farm and domestic equipment in the northern states, such as that in the State Capitol at Harrisburg, Pennsylvania, or the one at Old Deerfield, Massachusetts, testifies to the industry of the colonists of these parts in making things for their own use and for sale. A few years ago there was an antique dealer near Kutztown, Pennsylvania, who had two barns full of such items of every conceivable sort; this collection was an indication of the particular talent of the German immigrants for domestic manufacture.

New Englanders Made What They Could Not Buy

By the middle of the eighteenth century Maryland, Virginia, and South Carolina had exports to Britain equaling their imports, and soon exceeding them, so that they did not need money with which to buy manufactures from overseas. The northern colonies, on the other hand, with an unfavorable balance of trade with the mother country, which promptly drained away such coin as they could get through their trade with the West Indies, had to supply their further wants by making for themselves.

A remonstrance to a member of Parliament in 1720 is worth quoting:

> Their [the New Englanders'] delight is to wear English manufactures, but the difficulty of coming at them is very great. They have no silver mines — nothing to send but pitch, tar, turpentine and ships, which would go but a little way toward clothing such a number of people. Therefore they are forced to visit the Spanish coast and pick up traffic, and to carry lumber and provisions to the sugar plantations and to the logwood cutters . . ., exchanging for the products of those islands, which they generally send to England; they are forced to catch fish and make pipe and barrel staves to send to Portugal, Spain and the Streights; and, lastly, to build great numbers of ships which they sell, with the cargoes, in Portugal, Spain and Europe. Thus they make a shift to scrape up about £150,000 per annum, to pay for the goods they buy of us. It is almost incredible that they raise so much. As it is, they are forced to fall on woolen, linen, iron and leather manufactures.

Nantucket, Martha's Vineyard, and islands in Narragansett Bay (where there were no wolves) grazed more than thirty thousand sheep around 1720. Irish immigrants and others familiar with the textile industry contributed to the large quantities of homespun cloth. Scarcely a countryman came to Boston, it was said, but was clad in stuff spun and woven in his own home. From New York, in 1715, Governor Hunter wrote in reply to a crude proposal of English woolen interests that "a law to oblige those who are not able, to wear English manufactures, would be a law to go naked."

More constructive measures than suppression of American manufactures were tried by the Board of Trade and Parliament. The idea was that what New England needed was exports to the mother country with which to buy manufactured goods from there. If the production of naval stores were encouraged by bounties granted in the Act of 1705, England's dependence on the "Three Crowns" (the Scandinavian coun-

tries) would be lessened, "the Trade and Vent of the Woolen and other Manufactures and Commodities of this Kingdom" would be increased, and the colonists would be "induced . . . to desert from manufacturing woolens and apply themselves to pitch and tar." Five years later Governor Hunter, to further this design, undertook the ambitious project of settling three thousand refugees from the German Palatinate on the Hudson River, to produce more naval stores; Parliament granted ten thousand pounds and Governor Hunter sunk twice as much more in the scheme before it finally failed.

Restraints on Colonial Manufactures

Not only did England try to distract Americans from manufactures by inducing them to get out raw materials, but she forbade manufactures which competed with her own. These prohibitions related mainly to three commodities — woolens, hats, and manufactured iron. An early reason for planting colonies in America was to provide a market for England's chief industry, that of woolen goods, and the Navigation Act of 1663, as we have seen, sought to enlarge this "vent." After the so-called revolution of 1688, when the Whig industrialists were gaining power, Parliament took drastic action. England's trade in heavy woolens was losing ground from the competition of other countries. English manufacturers and merchants complained that the colonists were exporting wool and woolen cloths to foreigners, so Parliament in 1699 applied to Americans a prohibition which had earlier been laid upon Ireland. No wool, woolen yarn, or cloth was to be shipped from the colonies or from one colony to another. This restriction was protested against in the colonies, nor did it stop some intercolonial trade in wool and woolens.

Not all of the beaver secured from the Indians was exported to England to pay for manufactures. Quantities were made into hats in the colonies; about 1731 New York and New England made ten thousand beaver hats, exporting some to Spain, Portugal, the West Indies, and even to England. The governor of New York said that "the hatt makeing trade here seemed to promise the greatest advance to the prejudice of Great Brittain." On the protest of the Company of Feltmakers, therefore, a law was passed in 1732 that no hats should be shipped from the colonies to England or Europe, or be put on a ship or cart to be carried from one colony to another. This was like the earlier act directed against the woolen trade, but other provisions went further and applied in America

the restrictions of the Elizabethan Statute of Apprentices. No one could make hats unless he had served a seven years' apprenticeship, no master might take more than two apprentices, and no Negroes could be employed in the business. The act, however, was poorly enforced.

The third act restricting American manufacture concerned worked iron. As we have seen, ironmaking in the colonies embraced not only the production of crude iron, but also wrought iron for sheets, rods, wire, anchors, and even blister steel. England could not supply her own needs for iron, partly because her forests for the making of charcoal had been giving out for two centuries. She paid out more than a third of a million pounds sterling annually for imports of iron and fuel, mostly from Sweden and Russia.

This was a perfect case for the application of mercantilist policy in encouraging the importation of crude iron from the American colonies and preservation of the colonial market for English wrought iron and steel. In 1719, the House of Commons considered prohibiting the later processes of iron manufacture in the colonies, and the House of Lords wanted to go further and forbid even the production of cast-iron hollow ware, but the bill was dropped. But since the agitation continued, the Act of 1750 declared that (1) bar and pig iron might be imported free of duty in any English port, but (2) no rolling, slitting mill, tilt-hammer nor steel furnace should thenceforth be erected within the colonies, though such as were already in existence might continue. This act had some effect in increasing the export of pigs and bars to England from America. The prohibition on secondary iron manufactures in the colonies was also only partially effective, despite the fact that a tilt- or trip-hammer working on an anvil might be expected to announce itself to enforcement officers. A great part of the implements and tools which English manufacturers expected that they, after the act, would supply, continued to be made in America in blacksmith shops and other small establishments.

Statutes were of less force than the economic situation. Where a type of manufacture was less desirable to the colonials than agriculture or trade, it did not develop even with artificial encouragement; where it was needed and profitable, it succeeded without special inducements or in spite of prohibitions. The new civilization had need for a thousand and one manufactured commodities, the colonials were far from the British source of supply, they had abundant raw materials at hand, and more among them were handy with tools than has ever been true since. Add the fact that British regulations, hard enough to enforce at the

ports, were maintained with increased difficulty in the interior, and it must be apparent that the American settlers made what they chose both for themselves and for neighborhood sale.

References for further reading will be found at the end of Chapter 7.

Chapter 6

New Colonial Policy

THE CAUSES OF THE AMERICAN REVOLUTION, pitting colonies against mother country, were many and interwoven. Though they did not become conspicuous until the end of the Seven Years' War in 1763, the differences began far back in the relations of the two branches of the English people.

Most of the colonists were dissenters. If not on the conscious religious grounds of the Puritans, they were pushed out of the orbit of traditional English life by their crimes, their debts, their taste for adventure, their sharing in the democratic idealism which was stirring at home in men like Locke and Milton and was to find a thrashing arm in Cromwell. The physical newness of their American life compared to what they had known in old England made for divergencies economic, spiritual, and political. The isolation of the colonists in the forests of America — almost as marked between the settlements here as between these shores and the homeland — was the fundamental fact in the developments leading to Lexington and Concord. A man depended upon himself and his immediate neighbors for ingenuity and courage to meet untried necessities and perils. A living had to be taken from nature in the most elementary fashion. This self-reliance bred individualism, the democracy of the wilderness.

Though the pioneer was to be drawn into the contest between Parliament and prerogative, he was in the beginning and always remained far from both. How could Lords of Trade and the Colonial Secretary, prompting Crown and Parliament, or prompted by them, administer life three thousand miles away, with its novel problems? No amount of contrivance, with the slow facilities of those days, could span the Atlantic. "Seas roll, months pass, between the order and the execution." It is hard enough today for continents and nations to understand one another, despite the instant speech of heads of governments by telephone and conference around a table made almost immediately possible by airplane. In the eighteenth century six months might be required for mes-

sages in either direction, and their objects might be forfeited or made unnecessary by time of delivery. Decisions and threats from England, appeals and protests from America, did not so much make history as, by the date of arrival, they *were* history. The musty files of the Board of Trade were one thing, the ring of the colonist's axe and the crack of his rifle another.

Moreover, as though these difficulties were not enough, England could not give consistent and uninterrupted management to her American possessions. The religious and civil wars at home, not to speak of England's foreign contests, insured the colonies such neglect, for decades at a time, as gave them presumptions of independence. Separate habits of life thus permitted to grow up were unwillingly yielded by the colonists and just as unwillingly accepted by the mother country. Also the adventurers in America brought with them customs of local self-government — of town, county, and parish — which from the Restoration were being obliterated at home. The measure of political freedom which they had enjoyed in England put out leaf and blossomed in the popular branches of government in America. The elected houses of colonial legislatures were constantly at odds with proprietors, Crown governors and their appointed councils, as with royal courts and customs officials, and this with increasing success. The colonial assemblies, proudly claiming for themselves the traditional rights of the House of Commons, "holding the purse-strings of the people," made governors and judges amenable if they wished to be paid their salaries.

In the middle of the eighteenth century, the Jamaica Assembly said plainly what the continental colonies practiced: "That it is the inherent and undoubted Right of the Representatives of the People to raise and apply Monies for the Service and Exigencies of Government, and to appoint such Person or Persons for the receiving and issuing thereof, as they shall think proper." There were Crown officers appointed as treasurers in the colonies who had commissions, but little cash and less credit, for the assemblies set up their own receivers and disbursers of taxes. In 1754, the Privy Council of George II made a disconcerting report on New York: "The Assembly have taken to themselves not only the management and disposal of such publick money, but have also wrested from your Majesty's Governor the nomination of all offices of Government, the custody and direction of publick military stores, the mustering and direction of troops . . . and in short, almost every other executive part of government." The British Parliament might rejoin that such claims were "illegal, repugnant to the Terms of his Majesty's Commission to

the Governor . . . and derogatory of the Rights of the Crown and People of *Great Britain*." The Crown appointee in New Jersey answered, "under the situation that his Majesty's Governors are at present, the Bringing any of the Crown's Rights into Dispute with the People is the sure Way to lose them."

Colonial Autonomy Would Have Preserved Imperial Unity

American physiography coincided with British colonial policy. The rivers in the coastal strip to which the settlers long confined themselves (and to which the mother country would have confined them longer), run not north and south, which would have brought the colonists together, but east and west. Thus, the groups of Americans were partitioned off from each other, and at the same time the deep and wide mouths of their rivers — really estuaries of the sea — invited communication with England. England's commercial policy was to bind each colony to her directly, and not to set up any general colonial administration in America. When, after the Seven Years' War, commercial management gave way to imperial government, this practice of crude centralization proved first inconvenient, then provocative, and then disastrous. If an amount of all-colonial autonomy had been encouraged, if Americans had been urged to consult with each other instead of being taught to look immediately to the home government, revolution would have been postponed, though final separation could not have been avoided. England had learned, in a hundred lesser ways, to make wise concessions to the colonies. In this major matter she did not understand, from the selfish imperial standpoint, "how safe a thing freedom is." One brings a game fish to the net by giving line as well as by reeling in.

We shall see that the Albany Plan of colonial unity for defense and for dealings with the Indians was an emergency measure hatched too late. Following its failure, the slackness of the colonies during the war prompted Britain to imperial demands which, ironically, drew the colonies into a co-operation with each other which earlier invitation had not succeeded in achieving. It is worth noting that the Seven Years' War, in the manner of wars, accomplished something different from what was intended. Broadly, it was a struggle with France for extension of the British Empire, but in America it was for the defense of the colonies. War is so violent a trespasser upon social processes that it split the colonies off from the mother country instead of binding them to her.

Thus again the victor became the vanquished. England, lording it over the world, with possessions in Africa, Asia, and America, could not keep her nearest kinsmen across the Atlantic in leading-strings.

Indian affairs bulked large in the quarter-century preceding the Revolution, since they were mainly responsible for the unsuccessful attempts at colonial co-operation in 1753–54, for the character of the Seven Years' War in America, and for the British land policy west of the Alleghenies and the measures of defense after 1763. The English colonists and their governments did not get on with the Indians nearly so well as did the French. For one thing, the English pushed westward as settlers, running surveyors' lines, felling the forest and driving off the game on which the savages lived, while the French penetrated inland only as individual trappers and fur-traders, or built forts where the Indians were welcome. Also each English colony managed separately relations with its Indians; promises made to the natives by one colony were violated by another, so that none was trusted, whereas the French had a uniform centralized administration in these important matters. Thirdly, the English traders cheated and brutalized the Indians, while the French looked upon the trade as a permanent resource and conserved good-will. The English did not present a united front to the Indians, for the traders were at odds with the land companies and settlers, and sometimes persuaded the Indians to attack the frontier farms and villages. When the western parts of one colony were attacked by the Indians and their French allies, others were reluctant or totally unwilling to come to its assistance.

The Treaty of Aix la Chapelle (1747) did no better than usher in a troubled truce between the old contenders, England and France. France, trying to realize the dream of LaSalle, would confine the English to the seaboard by building a great arc of forts stretching from the St. Lawrence around by the Great Lakes and down the Mississippi to New Orleans. But the English asserted claims west of the mountains. Augusta County, Virginia, had been created in 1738 with the Blue Ridge for its eastern boundary, while west and northwest it stretched to "the utmost limits of Virginia," a description which left room for difference with a jealous foreign rival. In 1749 half a million acres had been granted to the Ohio Company, with its strategic point at the junction of the Monongahela and Allegheny Rivers where they form the Ohio at what is now Pittsburgh. Other huge allotments to land companies followed, all of them tending, in the opinion of His Majesty's Board of Trade, "to defeat the dangerous designs of the French." But

the French were quick with their dangerous designs, the acting governor of Canada sending Céloron de Blainville into the Ohio Valley to proclaim the sovereignty of Louis XV there, and to bury lead plates in proof of the royal possession. The Marquis Duquesne, when he became governor of Canada in 1753, sent not a herald to the Ohio, but fifteen hundred soldiers. Dinwiddie, governor of Virginia, dispatched George Washington, a twenty-one-year-old surveyor, with the message that they must withdraw or fight. The French would and did fight. Dinwiddie got twenty thousand pounds from England, and, denied help by the other colonies, put two detachments in the field. But their palisade was pulled down by the French, who erected the stronger Fort Duquesne, and who beat off the principal force under Washington.

Plans Fail for Colonies' Joint Action

The general asumption was that colonial land defense, when England was at peace (as she was officially at this time), was the business of the colonies. But here in the Ohio country was a threat from a foreign power which was of greater magnitude than the common Indian attack or local disturbance. Evidently one or a few colonies could not be allowed to stand alone in resistance where the future of all was concerned. The English colonists outnumbered the French fifteen to one, but their well-known refusal to act together encouraged the French incursions.

The home government, therefore, took steps to bring the colonies together to defend themselves and conciliate the Indians. In the summer of 1754, on orders from the Board of Trade, commissioners from most of the middle and New England colonies met at Albany. They agreed that in the divided state of the colonies "the most necessary general measures for the common defence" could not be taken, "one Assembly waiting to see what another will do, being afraid of doing more than its share, or desirous of doing less, or refusing to do anything because its country is not at present so much exposed as others." They adopted a plan of union, drawn up by Benjamin Franklin.[1] It provided for a president-general to be appointed and paid by the crown, and a legislative Grand Council to be elected by the colonial assemblies. The council could make laws and lay taxes for defense and for treating with the Indians, but these acts must have the approval of the King, in council.

[1] In the sixty years before the Albany Plan, schemes for a union of the colonies had been proposed by William Penn, Charles Davenant, Daniel Coxe, and others.

The colonies, when the plan was referred to them, refused it. "Every Body cries, a Union is absolutely necessary," wrote Franklin, "but when they come to the Manner and Form of the Union, their weak Noddles are perfectly distracted." Parliament reported unfavorably upon it. The Albany Plan was, however, the forerunner of the Articles of Confederation.

The Board of Trade drew up its own plan, with no features of political union, but looking to colonial taxation for common colonial defense only. Because of the unwillingness of the colonies to co-operate, this scheme was likewise dropped, and the English government, to take care of the emergency in the western country, sent Edward Braddock to America as commander-in-chief with two regiments, these, and two colonial regiments, to be quartered and fed at the expense of the assemblies. Braddock appointed William Johnson commissary-general for Indian affairs.

It is important to grasp the economic and political results of the failure of these plans of self-taxation by the colonies for their joint defense. As the Board of Trade said at the time, since the Americans would not raise funds to protect themselves, "no other method can be taken but that of an application for an interposition of the Authority of Parliament" — no other method, that is, except taxation by Parliament. This unwelcome expedient, when used at the end of the Seven Years' War — in Sugar Act, Stamp Act, and Townshend duties — had much to do with bringing on the Revolution.

Parliamentary taxation of the colonies to provide funds for an army and for administrative officials had often been proposed to the home government prior to the beginning of the Seven Years' War, and with increasing frequency, elaboration, and earnestness toward the end of the period.[1] In 1716 and 1717, Archibald Cumings, a Boston custom-house official, urged on the Board of Trade just such taxes as later figured so prominently in the revolt of the colonies. Imports of foreign sugar, molasses, rum, and wines "might bear a Duty as a Revenue for the Crown to defray the Expences that the Plantations are Annually to Great Britain for Governors & Officers Salarys, Support of Garrisons, the Expence of the Stationing Men of War; and by settling a Stamp office in all the Islands and on the Continent for this Service, for as the Plantations can bear this Charge . . . so it is not reasonable they should be a burden to Great Britain." Cumings continued to recommend taxes, and Sir William Keith, deputy-governor of Pennsylvania, seconded the proposal that the British stamp duties be extended to the colonies, but

[1] For a clear summary see G. L. Beer, *British Colonial Policy, 1754–1765,* chap. III.

the home authorities were treating the colonies to "salutary naglect" and did not lay such taxes. Parliament perhaps had inhibitions soon justified in the statement of Richard Partridge, agent of the colonies, that the Molasses Act "is divesting them of their Rights and privilidges as ye Kings Natural born Subjects and Englishmen in levying Subsidies upon them against their Consent when they are annexed to no County in Great Britain, have no Representatives in parliam[t] nor are any part of ye Legislature of this Kingdon."

Clinton and Colden of New York proposed to the home government general import duties and excises for fortifying the frontier. Dinwiddie continued to clamor, but got no parliamentary taxation of all the colonies to assist Virginia. Nor was Governor Shirley of Massachusetts more successful in calling for union and taxation at the command of the home government. Franklin wanted compulsory union, but no taxation by Parliament, since it was "an undoubted right of Englishmen, not to be taxed but by their consent given through their representatives."

Then came open war with France, and the need for cordial colonial co-operation with the mother country pushed aside all plans for parliamentary taxes that might have caused friction.

Colonies Lukewarm in Seven Years' War

We shall not understand the taxation of the colonies after the Seven Years' War, nor what came to be the punitive attitude of the mother country toward them, unless we know the disappointing part played by the Americans in support of England during the conflict. The colonies as a whole gave only grudging military help, and they positively hindered and delayed success by disloyal and illegal trading with the enemy. The war, to be sure, was imperial, England against France all over the world, but in America it was no less in defense of the English colonies against the French who menaced them in Canada and in the Ohio and Mississippi Valleys.

In the raising of troops, Connecticut, Massachusetts, and New York were energetic throughout, furnishing more than two thirds of the whole number of American soldiers, and the response of all the colonies improved after Pitt's plan of generous parliamentary reimbursement was made certain in 1758, though the southern colonies and some others continued tardy and reluctant. It is calculated that grants by Parliament, made annually, repaid the colonies for about two fifths of their military expenses. To this is to be added the large sums spent in the

colonies by British quartermasters, and other benefits to colonial agriculture and trade incident to the war besides the fact of military defense itself. Maryland and Pennsylvania did less than some of the poorer colonies because of disputes with their proprietors; thus the British commander reported that the Maryland Assembly "broke up without providing any one thing for the present Service," and the Pennsylvania supply bill was delayed. The exasperated General Forbes was perhaps a little harsh in his description, to Pitt, of some colonial troops:

> I vainly at the beginning flattered myself that some very good Service might be drawn from the Virginia, & Pennsylvania Forces, but am sorry to find that a few of their principal Officers excepted, all the rest are an extream bad Collection of broken Inn-Keepers, Horse Jockeys, & Indian traders, and that the Men under them, are a direct copy of their Officers, nor can it well be otherwise, as they are a gathering from the scum of the worst of people in every Country, who have wrought themselves up, into a panick at the very name of Indians.

Pitt rebuked the southern colonies and Pennsylvania for failing in their duty.

After Montreal fell in 1760 and the worst French danger was removed, there was distinct diminution in what zeal the colonies did have for the war. We shall see how later, when English power was substituted for French in Canada, the colonies' feeling of safety progressed to demands for independence. The war showed that requisitions on the colonies for troops would not serve to defend them, for, lacking unity, they lacked vigor.

Similarly, the persistent supply of provisions to the enemy by the colonies during the war declared the need of reform in the British system of customs and trade administration. The colonial troops who went out with Braddock were meeting French and Indians fed with flour, beef, and pork which had been taken to Canada from the northern colonies in exchange for rum and molasses. When war was declared the next year, this trade and that with the French in the West Indies became unquestionably illegal, and the colonies recognized this by their own acts, but the conduct of their citizens and even of colonial governors was at variance with the law. Especially the trade with the French West Indies — provisions in exchange for sugar, rum, and molasses — was hard to stop because it had always been of peculiar mutual advantage. This was how New England got money for manufactured goods from the mother country, and also rum — necessary for the slave trade,

for trade with the Indians, and for the fishing crews. Similarly, the French Caribbean islands, because of the British navy, could not ship their products except to the American continent. With the provisions they outfitted their privateers and the French fleet. Express prohibitions on the shipment of any provisions from the American colonies to any but a British port did not stop this trade to the Dutch West Indian ports of Saint Eustatius and Curaçao, whence the foodstuffs were promptly carried to the French.

There was a brisk and lucrative trade of colonial vessels, especially of Rhode Island and Pennsylvania, direct to the French islands under color of exchange of prisoners. "Flags of truce" they were called, though in fact the whole number of the prisoners exchanged could have been carried in a few vessels. The governor of Pennsylvania sold so many passes of this sort that he had to lower their price to a nominal amount. Another flagrant abuse was the trade ostensibly with Monte Cristi, a tiny Spanish port in Santo Domingo next door to a French colony, through which all sorts of supplies and money went to the enemy and their products came out. This export of provisions to the French, especially from Pennsylvania and New York, so raised prices that "at times it would have been cheaper to purchase in England the flour and bread needed for the troops employed in the colonies."

The British navy finally broke up the illegal trade with the enemy, but not before the New England colonies were roused to indignation over the taking of cases of seizures before vice-admiralty courts and the issue of "writs of assistance." We shall speak later of these as helping to bring on the Revolution. It is enough to say here that the vice-admiralty courts sat without the friendly colonial juries, and that the writ gave customs officers blank warrants for search and seizure of French goods brought to American ports. Pitt and the British commanders in America might scold, and unwonted legal methods of suppression of disloyal trade might be invoked, but all that England could do was ineffective.

Conquest Entailed Taxes

More important than other events in the history leading up to the Revolution was the decision of England in the Treaty of Paris in 1763 (which closed the Seven Years' War) to retain the vast continental domain won from France — Canada and the western country — rather than the West Indian island of Guadeloupe, which was also in English hands when the war ended. The debate over the relative merits of the

two had been spirited. The argument for keeping Guadeloupe was the old mercantilist one — that it would supply tropical raw materials not produced at home, and that Canada and the interior of the continent, by contrast, furnished little that the mother country required and were potential sources of competition in her world trade. Moreover, if the menace of the French in Canada and the West were removed, and these huge areas thrown open to the English colonists, they would increase in population and power to the point where they would demand independence from Great Britain. Those who, like Pitt, urged retention of Canada, had the newer imperial spirit. Enormous continental acquisitions appealed to their patriotic imagination. Of greater importance, the Industrial Revolution was commencing, and their colonial theory was in line with its promise. If Canada became English,

> The growing Advantages, w^ch^ would accrue to the Nation must be immense; The State of Security, which the Settlers in North America would be put into, by the Removal of the French; The extensive Trade with the Indians, the Increase of the Fishery, the Rich vacant Country for new Settlements, and the quick Growth of their Estates would make the Inhabitants increase if not in a Duplicate proportion to what they have hitherto done, yet in a much greater degree.

The growth of population (doubling in two decades) would make an expanding market for British manufactures. In twenty years the exports to the continental colonies had increased to be twice those to the West Indies. Settlers in the North needed British woolens. Benjamin Franklin, then representing Pennsylvania in London, replied in a pamphlet to those who held that only the French threats kept the colonists in subjection to Great Britain. The Americans had not been able to sink their differences and combine effectively against the French and Indians, so "can it reasonably be supposed there is any danger of their uniting against their own nation, which protects and encourages them . . . and which, it is well known, they all love much better than they love one another?" The "visionary danger of independence" would loom only if "they find their cruel enemies hallooed upon them by the country from which they sprung."

Of course in the treaty Canada, Florida, and all of the territory east of the Mississippi except New Orleans became English, and Guadeloupe and Martinique were handed back to France. At the same time that this gave the colonists a new feeling of safety and of less dependence on the mother country to protect them, it committed England to the devel-

opment, management, and policing of the immense added domain. This meant an imperial public-lands policy, responsibility for relations with the Indians, and a small standing army distributed through the western posts. So in 1763 the position of colonies and mother country was, on the part of the colonies, rescue from danger, and more pride in their own achievements in the war than gratitude for the superior exertions of England in their behalf; on the part of the overseas government, new reasons for expenditure at just the time when war-incurred debts bore heavily. Also the mother country received the conviction, gained from experience during hostilities, that colonial administration of trade and defense needed prompt and effective reform. Out of this situation came the Revolution, by a series of developments which we shall recount.

Resentment Against Molasses Act and Writs of Assistance

We have to go back, however, to the Molasses Act of 1733. It was passed at the demand of British West Indian sugar planters, many of whom actually sat in Parliament. Their own markets contracting, and their lands wearing out, they were jealous of the prosperity of the foreign West Indies, especially the French. The French planters were not allowed to send rum to their mother country because it competed with the important brandy industry. Their molasses was thus plentiful and cheap, and was taken by the northern continental colonies which sent in exchange provisions, lumber of all sorts, and horses. In New England, especially Rhode Island, the molasses was made into rum, particularly for purchasing slaves in Africa. These, in turn, when sold in the West Indies or the southern colonies, supplied money with which the northern colonies bought imports from England. Rhode Island thus paid debts in England of forty thousand pounds a year. The New Englanders protested that the British islands alone could not supply their need for sugar and molasses, nor furnish the necessary market for their provisions.

Mistakenly, Parliament laid prohibitive duties on imports to the British colonies from the foreign West Indies — ninepence per gallon on rum, sixpence per gallon on molasses, and five shillings per hundredweight on sugar. For twenty years the act was almost a dead letter; customs officials were deceived by various ruses, by solemnly putting down foreign sugars as ballast, or by landing the stuff on coasts where there were no officers. A special reason, however, for colonial complaint against the vice-admiralty courts was that they were more successful than the com-

mon law courts in condemning molasses and rum smugglers. The vice-admiralty courts, long prevailing in England, were set up in the colonies in 1696 at the same time that England attempted to standardize administration through establishment of the Lords of Trade and Plantations or Board of Trade. The vice-admiralty courts sat without juries, which suited the customs prosecutors, for the local juries of ports protected the smugglers.

The Seven Years' War brought fresh efforts at enforcement of the Molasses Act, to produce revenue and to stop the illegal trade with the enemy. One of the methods was the use of writs of assistance, which gave customs officers power forcibly to enter ships, warehouses, homes, and any place where smuggled goods were suspected of being hidden, by day, without the obligation to designate, for each search, the precise place and the reasons for believing smuggled goods were stored there. These writs were resented in the colonies. The writs all expired six months after the death of George II, and a hot contest arose when the chief customs officer of Boston applied for new ones before the Superior Court, with Governor Hutchinson the judge, in February, 1761.

Young James Otis, advocate-general, was bound by his office to defend the writ. Instead, he resigned in order to plead the cause of the Boston and Salem merchants who opposed it. John Adams recalled, more than fifty years later, "Otis was a flame of fire"; with "a prophetic glance of his eye into futurity, and a torrent of impetuous eloquence, he hurried away everything before him. . . . Then and there was the first scene of the first act of opposition to the arbitrary claims of Great Britain. Then and there the child Independence was born." Otis declared the general warrant for search by a customs officer "the worst instrument of arbitrary power, the most destructive of English liberty . . . that ever was found in an English law-book."

His ideas were not as original as his eloquence; the two together lifted the whole argument out of the plane of legalism, on which the logic was against him, and into the sphere of natural rights, which is to say into the realm of revolutionary protest and portent. The writs of assistance, if issued, spelled strict enforcement of the acts of trade, which meant commercial disaster for New England. The significance of this episode lay in the fact that Otis put into passionate words an economic interest of his hearers which was rapidly being transformed into a political contention.[1]

[1] The legality of the writs of assistance was confirmed on a second hearing, after English practice had been ascertained, and they were used until the Revolution. Otis' position was vindicated in England itself, however, in 1817 when they were forbidden.

A Virginia Country Lawyer

The belief of the economic historian that pervasive social forces, arising in the conditions of production and exchange, have most to do with human conduct, loses nothing of its truth by acknowledging that individuals temporarily give direction to these forces. If the times make the man, the man may also powerfully influence the times. It was so in the case of Otis, just given, and more so in that of Patrick Henry. He comes on the Revolutionary scene in the "Parsons' Cause" in 1763. The clergy of the established church for two generations had been paid in tobacco, sixteen thousand pounds a year. In 1758, when a short crop was in prospect, the Virginia legislature passed an act which in effect reduced the incomes of the clergy to one third of what they would have been, so that the King in council the next year vetoed it. The Reverend James Maury, one of the aggrieved clergymen, four years later sued in Hanover County for the recovery of his loss, with the result that the Virginia act was declared "to be no law" and at the next month's term of court a jury was to go through the formality of fixing his damages. The attorney for the taxpayers thought the matter decided and threw up the case.

At this point the planters and farmers, in their desperation, turned to a promising young lawyer of the county, Patrick Henry. He snatched the brand from the burning. In doing so, as with the argument of Otis in the case of the writs, he helped set the feet of colonials on the extra-legal path. The law and the facts were against him. With an imagination, audacity, and eloquence the most celebrated of their kind in American history, he found grounds on which to sanction local popular interests.[1]

His few opponents in the courthouse of Hanover cried out that Patrick Henry spoke treason. It was true. The burden of his appeal was to the right, because to the necessity, of American self-government. The popular economic interest, when denied the approval of English

[1] The Reverend James Maury, the plaintiff, instead of receiving from the jury the two hundred and fifty pounds which he expected, was awarded one penny damages. He has left us the only contemporary account of Henry's speech. Its "treasonable and licentious strain" was that "the Act of 1758 . . . was a law of general utility, and could not, consistently with what he called the original compact between the king and the people . . . be annulled." Hence he inferred, "that a king, by disallowing acts of this salutary nature, from being the father of his people, degenerated into a tyrant, and forfeits all right to his subjects' obedience." He went on in the manner of revolutionists to condemn the church, which upheld royal authority and was in turn upheld by it. The jury should not rivet chains on their own necks by allowing the repeal in England of a Virginia law which had the only proper authority, that of elected representatives.

law, was given by Henry a new sanction which depended in the end on armed revolt.

Western Settlement Stopped, Taxes for Troops Started

A contributing cause of the Revolution was the proclamation of King George III in 1763 forbidding settlement west of the crest of the Alleghenies. Here was invitation to conflict. It had been shown that the colonies, acting separately, could not deal with the Indians of the western country except to excite their hostility. The Albany Plan had failed a decade earlier. Britain, having won this vast domain, must govern it. On the other hand, there was strong colonial opposition to stopping western settlement and to turning these lands over to imperial management. Small bands of settlers had already pushed through the mountain passes to the Indian country beyond, and others proposed to follow them. Land companies, some of which had members in the British ministries, had huge grants from the colonies. The Ohio Company, whose claims lay between the Monongahela and Kanawha Rivers (now West Virginia), had been chartered by Virginia as early as 1749. Virginia militiamen, veterans of the French and Indian wars, had been given bounty lands in the West.

Lord Shelburne, as President of the Board of Trade, worked out a careful plan whereby the Indians were to be protected for the time being in their hunting grounds by prohibiting settlement west of a line so drawn as to recognize existing areas occupied by whites. This line was to be moved westward as lands were purchased from the Indians under royal supervision. Ten thousand troops were to be sent to America to protect the frontier, and the colonies, which were to be taxed for the support of this force, were to enjoy much self-government.

This scheme was not adopted in its original elastic and considerate form, but was made more rigid and arbitrary, partly because of the alarm caused in England by Pontiac's War, in which most of the western posts were lost and the frontiers were terrorized. In a change of ministry Lord Hillsborough succeeded Shelburne as President of the Board of Trade. He had to act quickly, so he prepared the proclamation, issued by the King in October, 1763, which extinguished the western charter claims of colonies, put all the land in the hands of the home government, and ran the rough-and-ready line down the summit of the Alleghenies as the limit of western settlement. No colonial governor was "to grant warrant of survey, or pass patents for any lands beyond the heads or

sources of any of the rivers which fall into the Atlantic Ocean from the west or northwest," and no individuals could settle in any of the reserved lands without special license. Almost a decade later Hillsborough said that the "two capital objects" of the order were to keep the colonists on the seaboard where they would be "in a due subjection to, and dependence upon, the mother country," and "within the reach of the trade and commerce" of Britain.[1]

The ten thousand troops that were to guard the western country were going to cost about £350,000 a year. The mother country was prepared to bear, for the time being, part of this new expense, but said the colonies must chip in. For the war had added £70,000,000 to England's debt, which now stood at £130,000,000, the interest on which was £4,500,000. Since the navy was the main protector of the extended empire, Parliament was appropriating £1,500,000 a year for it. British taxes were twice what they had been a decade before. It was agreed that the protection which the mother country owed the colonies, aside from the constant naval defense of shipping, applied only in time of war, and that the support of troops for the preservation of peace was the responsibility of the colonies themselves. It had been demonstrated that the Americans would not act as a unit for self-defense, which was the only effective method. The political authority and formal military power of the French in Canada and the West had been removed, but their hostile influence with the Indians remained a threat, as was shown in Pontiac's rising. The conclusion in England was that English troops must be sent to man the frontier posts, and that as much as possible of the charge must be borne by the colonies.

Revenue Officers Prodded

Though it was soon determined that the new revenue to be raised in America should be devoted to maintenance of the military, it was clear to the businesslike administration of Grenville that the colonial customs and all trade regulation required speedy and thorough reform. This service should no longer be an expense, but should yield a quota toward support of the troops. George Grenville, First Lord of the Treasury and Chancellor of the Exchequer, was determined to tidy up after the war. No more of the old "salutary neglect" of the colonies. Especially no

[1] By 1768 the Indians, by treaties, had given up their lands south of the Ohio and north of the Tennessee, and American colonials and British statesmen worked out a proposal for new colonies in the western country. The plan was ready for execution in 1775 when interrupted by the Revolution.

more of their illegal trade with the foreign West Indies, which had long been notorious, and which during the Seven Years' War had been scandalous and subversive. Grenville, with much to justify him at this juncture, was a man of accounts. He would balance his budget. If Pitt had created an empire with columns of soldiers, Grenville would consolidate that empire with columns of figures. The terrain of his battle was the ledger.

Reviving earlier attempts at reorganization, the Treasury now set the customs commissioners in motion, wanting to know why "the revenues arising from the duties of customs in America and the West Indies amount in no degree to the sum which might be expected from them." In July, 1763, customs officials who were absent from their posts in the colonies were ordered "to repair thither forthwith, without delay, upon pain of dismissal." As Grenville complained, "the making all these offices sinecures in England" was a principal reason why "our revenues in North America . . . amount to between £1000 and £2000 a year, the collecting of which costs upon the establishment of the Customs in Great Britain between £7000 and £8000 a year." At a time when it was charged that the British government was paying out at home £400,000 a year in pensions, it is not surprising that appointments in the American customs should be another way of receiving public money without return. Thus one Paterson, surveyor-general for Bermuda and some of the West Indies, "is a poor Scotchman, who holds his office . . . in trust for Thomson the poet, whom Lyttelton procureth the place for originally, but Thomson being fat and gross of constitution could not or would not venture into this part of the world and therefore recommends this Paterson to fill it in his room . . . and Thomson allows him a small provision for executing this office." Leaves to return to England for long periods, sometimes two years, were permitted to customs officials in America whose places were then filled by substitutes.

At some of the ports of entry there were too many customs functionaries — collectors, landwaiters, tidewaiters, riding surveyors, searchers — and in other instances the bailiwick assigned was too large for effective supervision. With part of the income going to parasites who lived in London, payments to officials in America were so low that they were easily tempted to accept bribes for winking at smuggling and other corrupt practices. So now all branches of the British service were to co-operate to prevent smuggling in America. The vice-admiralty courts were to be reformed for the surer condemnation of guilty ships.

There were ways enough to benefit the budget by saving money

wasted in England, but these were not so eligible in the eyes of the King's ministers as economies in the distant colonies, although they had no direct representation in Parliament.

Both objects of Grenville's ministry — raising a revenue and preventing smuggling — would be served by remodeling and vigorous enforcement of the Molasses Act of 1733, which was about to expire. For twenty-five years this act had been much more honored in the breach than in the observance. Indeed, so consistently was it ignored by colonial merchants and by customs officials alike that it came to be regarded as hardly a law at all. Of 14,000 hogsheads of molasses imported yearly into Rhode Island, some 11,500 had come from the French and Spanish West Indies, practically all of it escaping duty. It was declared that all of the molasses produced in the English islands would not supply two thirds of the requirements of Rhode Island distilleries alone. Moreover, the French molasses was cheaper than the English by 25 per cent. But British sugar planters sat in Parliament. They had long fumed at the open disregard of the Molasses Act, which enriched their foreign neighbors with the products of the northern continental colonies and limited their own sales. Moreover, they had seen, from 1759 on, when enforcement was tightened, that the act could be made measurably effective. They were resentful that Guadeloupe had been given back to the French by the treaty of 1763, and they were determined that this sugar island should not continue as their competitor.

Impending Sugar Act Viewed with Alarm

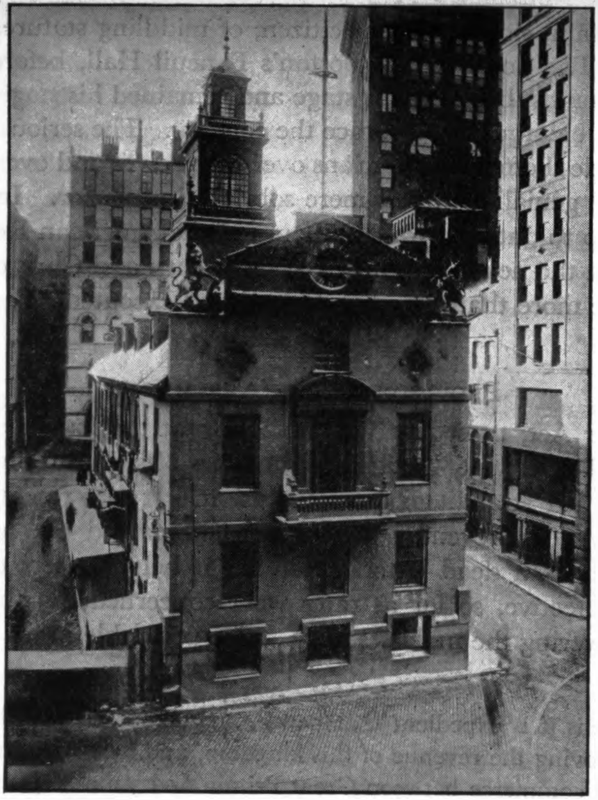
The agent of Massachusetts in England got wind, in March, 1763, of Grenville's intention to push through Parliament an act that would undoubtedly collect a molasses duty, but his prompt report of this to the colonial legislature provoked no resentment there. However, Samuel Adams characteristically sensed the impending danger, and in instructions to Boston's representatives in the General Court, framed by him, made the most of it. "Our Trade," he declared, "has for a long time labord under great Discouragements; & it is with the deepest Concern that we see such further Difficultys coming upon it as will reduce it to the lowest Ebb, if not totally obstruct & ruin it." He further advised that the representatives of Boston were to use their "earliest Endeavors" to "prevent these Proceedings against us." [1]

[1] Samuel Adams went on, in famous words, to hope for repeal of the new law had it been already passed. A postscript to the instructions referred to the havoc worked in Boston by a

These instructions of the Boston town meeting to its representatives in the General Court, which have been spoken of as constituting the "initial document of the Revolution," also formed the first important public paper of Samuel Adams. Three propositions which became staples of colonial contention appear: the doctrine of "no taxation without representation" and refusal to accept a distinction between internal and external taxation; the claim of "Rights which . . . we hold essentially as free born Subjects of Great Brittain"; and, lastly, united protest of the colonies.

Samuel Adams was as little attentive to his private affairs as he was absorbed in advancing the public interest. He was now forty-two years old, the son of a Boston worthy from whom he inherited business opportunity which he neglected and a fine house which he could not keep in repair. His master's thesis at Harvard considered "Whether it be Lawful to resist the Supreme Magistrate, if the Commonwealth cannot otherwise be preserved." The business of preserving the commonwealth, at first in such small matters as inspection of chimneys and visiting of schools, but later in the foremost features, was his forte. When in 1774 he went as a delegate to the First Continental Congress he doffed his old darned clothes for new togs in which he was outfitted by Bostonians perhaps as solicitous for the reputation of their town as for that of their townsman, and he took with him a purse similarly donated. The British General Gage in 1775 offered pardon to all if they were willing to "return to the Duties of peaceable Subjects, excepting only from the Benefit of such Pardon Samuel Adams and John Hancock, whose Offences are of too flagitious a Nature to admit of any other Consideration than that of condign Punishment." Governor Bernard of Massachusetts would "damn that Adams. Every dip of his pen stings like a

visitation of the smallpox, but regarded the threatened taxes as a more cursed plague. ". . . if our Trade is to be curtaild in its most profitable Branches, & Burdens beyond all possible Bearing, laid upon that which is sufferd to remain, we shall be so far from being able to take off the manufactures of Great Brittain, that it will be scarce possible for us to earn our Bread." And here appeared Adams's special ability in a ready sort of inductive reasoning, erecting the merely vexing particular into the crushing universal, for he went on: "But what still heightens our apprehensions is, that these unexpected Proceedings may be preparatory to new Taxations upon us: For if our Trade may be taxed why not our Lands? Why not the Produce of our Lands & every thing we possess or make use of? This we apprehend annihilates our Charter Right to govern & tax ourselves — It strikes at our Brittish Privileges, which as we have never forfeited them, we hold in common with our Fellow Subjects who are Natives of Brittain: If Taxes are laid upon us in any shape without our having a legal Representation where they are laid, are we not reducd from the Character of free Subjects to the miserable State of tributary Slaves?" And he wanted other "Northern American Colonys" which were "embarkd with us in this most important Bottom" to unite with Massachusetts in remonstrance.



Brown Brothers

OLD STATE HOUSE, BOSTON

horned snake." A contemporary Tory, warning British patriots against Adams, said he was "as equal to the task of forwarding a rebellion as most men." Jefferson said: "If there was any Palinurus [pilot] to the Revolution, Samuel Adams was the man. Indeed, in the Eastern States, for a year or two after it began, he was truly the Man of the Revolution." Sam Adams has been accurately described as pre-eminently "the type and representative of the New England town meeting." His reverence for the public will was unabated by the plain fact that it was oftenest he who roused and expressed it. More than others he confided in the strength that lay in the body of the people, high and low alike; his "nervous simplicity of reasoning and eloquence" he exercised for them. Few men in our history, who had his perfect sense of timing in popular contests, were less the actor than Samuel Adams. His mien fitted his rôle. "In his common appearance," said his kinsman, John Adams,

"he was a plain, simple, decent citizen, of middling stature, dress, and manners." The point is that Boston's Faneuil Hall, before which his statue now stands, began as his stage and remained his stage, though he knew how to enlarge it to embrace the country. The seriousness of most Puritans made them disciplinarians over themselves and over others, but Sam Adams' geniality turned mere sobriety into ardor. In terms that bring him up to date, he was the Lenin of the American Revolution — more so than the next claimants, Patrick Henry and Christopher Gadsden, because more than they he planned and executed.

Provisions of the Sugar Act

The Sugar Act, passed in 1764, though not the first taxation of the colonies by Parliament, inaugurated a series of statutes, similar in purpose, which led straight to the Revolution. It was resented not only because it yielded revenue, but because it revived the Molasses Act which had been a dead letter. Nor did it help matters that the law was made effective, so far as rates were concerned, by the disarming device of lowering the molasses duty. The preamble of the long statute recited:

> Whereas it is expedient that new . . . regulations should be established for improving the revenue of this kingdom, and for extending the navigation and commerce between Great Britain and your Majesty's dominions in America . . . and whereas it is just and necessary, that a revenue be raised, in your Majesty's said dominions in America, for defraying the expenses of defending, protecting, and securing the same; we, your Majesty's most dutiful and loyal subjects, the commons of Great Britain . . . give and grant unto your Majesty the several rates and duties herein after mentioned. . . .

This was resented in America because it placed colonial revenue at the disposition of Parliament, but the fact was that the receipts were segregated in the Royal Treasury and were to be spent in America for America's protection.

The signal feature of the Sugar Act was the reduction of the duty on foreign molasses from sixpence to three pence, which made it no longer prohibitive, but a revenue duty which could be collected. The funds raised by the Sugar Act in the colonies amounted to some twenty-five thousand pounds yearly. Taken all together, the act brought into the Treasury less than one seventh of the cost of supporting the troops thought necessary for the defense of America.

A feature of the Sugar Act which riled the colonists had to do with prosecutions under it and under all similar statutes for revenue or regulation of trade. The informer or prosecutor was given option of bringing suit "in any court of record, or in any court of admiralty . . . or in any court of vice-admiralty which may . . . be appointed over all America. . . ." Thus the defendant might be deprived of the right of trial by jury, since the admiralty courts did not sit with juries, and might be obliged to defend himself in a place distant from that in which the alleged offense was committed.

Arguments Based on Constitution and Codfish

The Boston representatives in the House of the Massachusetts legislature, in obedience to instructions of the town meeting prepared by Samuel Adams, drew up a memorial reciting the opposition of the province to the Sugar Act. This memorial was voted by the House to be sent to the agent of Massachusetts in London, as his instructions. James Otis drew the paper. It made the point that the colonists in America were "intitled to all the essential rights of the mother country." The argument then moved on to the critical problem: "It is hoped it will not be considered as a new doctrine, that even the authority of the parliament of *Great-Britain* is circumscribed by certain bounds, which if exceeded, their acts become those of meer *power* without *right*, and consequently void." Though this paper did not say so, the principal limitation on the authority of Parliament to tax the colonies was that the colonies did not send representatives to the taxing body.

Then the evil consequences of the Sugar Act were pictured. Trade of the continental colonies with the foreign West Indies was necessary to their prosperity, and it was advantageous to the British because the net proceeds of the trade went to Britain to buy her manufactures. Thus ". . . it is contrary to the first principles of policy to clog such a trade with duties, much more to prohibit it to the risque if not certain destruction of the fishery." New England sold fish to the French West Indies for food for slaves and took molasses in part payment. Half of Britain's commerce was with her colonies. "It is certain that without the fishery seven eighths of this commerce would cease. The fishery is the center of motion, upon which the wheel of all the British commerce in America turns." Without the produce of the French West Indies "our fishery must infallibly be ruined. . . . No British manufactures can be paid for by the colonists." In that case, "The northern colonists must

be content to go naked, and turn Savages," or they must contrive to make clothing for themselves, to the hurt of Britain's chief exports.[1]

A principal point was that to hinder the import of foreign molasses to New England was to destroy the rum industry and, directly and indirectly, ruin the fishery, these together forming the only means whereby the northern colonies got money with which to meet the balance of the unfavorable trade with England. The fishery was worth, it was said, £164,000 sterling a year to Massachusetts; its disruption would cause the dismissal of five thousand seamen. It was calculated in the colonies at the time that about £1,000,000 sterling every year had to be remitted to Britain to make good the unfavorable balance of trade, and the Sugar Act was viewed as putting this beyond the reach of the northern colonies. Thus Benjamin Franklin, agent of Pennsylvania, in his examination before the House of Commons in 1766 explained that his province imported £500,000 worth of goods a year from Great Britain and exported thence only £40,000 worth. To the question, "How then do you pay the balance?" Franklin answered:

> . . . by our produce carried to the West-Indies, and sold in our own islands, or to the French, Spaniards, Danes and Dutch . . . by the same carried to different parts of Europe, as Spain, Portugal and Italy. In all which places we receive either money, bills of Exchange, or commodities that suit for remittance to Britain; which, together with all the profits on the industry of our merchants and mariners, arising in those circuitous voyages, and the freights made by their ships, center finally in Britain to discharge the balance, and pay for British manufactures continually used in the province. . . .

In transmitting to the Commons the petition of the Massachusetts legislature against the Sugar Act, Governor Bernard wrote to one of the English ministers that beyond twopence "the higher the duty, the less will be the revenue." This was a sound judgment. Only the strength in Parliament of the British sugar interests prevailed to get the duty up to threepence.

Economic Claims Give Way to Political Rights

The Massachusetts House had appointed a committee to correspond with the other colonies "upon measures which concerned their common

[1] Otis's pamphlet, *The Rights of the British Colonies Asserted and Proved,* appeared soon, and like other principal statements of America's case was promptly reprinted in England. "The very act of taxing," he declared, "exercised over those who are not represented, appears to me to be depriving them of one of their most essential rights, as freemen; and if continued, seems to be in effect an entire disfranchisement of every civil right. . . ." Like many, Otis believed that the colonies should send representatives to Parliament.

interest," a phrase which was as potent as it was new. Oxenbridge Thacher was a member of this committee. He was one of several who, like Otis, published lengthy arguments against the Sugar Act in the summer of 1764. Governor Bernard wrote to England in June that he had prepared a statement defining the relations of the colonies to the mother country, but he wished he "had done it sooner; for the late proceedings in Parliament have given such a rouse to the politicians of this country, that it seems that a publication of . . . this kind at this time might be of service." The "rouse to the politicians" had shown itself in the eagerness with which other colonies followed and indeed surpassed Massachusetts in protest against the Sugar Act. William Bayard, of the New York Assembly, came to Boston with the copy of a petition to the Commons drawn in his colony, "conceived in a much higher strain," said Hutchinson, then lieutenant-governor of Massachusetts, "than the greatest advocates for the rights of the people had ever proposed in Massachusetts Bay." But this was not all.

> A committee from Rhode Island came . . . to desire a copy of the Massachusetts petition, and gave the preference to the petition from New York. An address from Rhode Island to the king, a memorial to the house of lords, and a remonstrance to the house of commons, were published not long after, conceived in a still higher strain than the address of New York.

The Massachusetts radicals applauded these stronger expressions of other colonies, and would have held out for brisker language in their own declaration had they known they would receive such support. However, only the petition of Massachusetts, which complained of "liberties" instead of "rights" being trespassed upon, was received by the House of Commons, and that not in a formal way. "The petitions of the other colonies were deemed inadmissible, because they denied the authority of parliament."

When Grenville introduced the Sugar Bill, he recognized that it would not raise the revenue needed to protect the colonies, and gave notice of his intention later to ask that "certain stamp duties" be laid on America. Colonial governors and others, in the generation preceding, had sometimes suggested stamp taxes to the British ministry. Pitt had refused to "burn his fingers with an American Stamp Act." Grenville revived this expedient because, as he was fond of saying, "The most important word to him, next to that of liberty, was revenue." Opposition from the colonies was to be expected, since "all men wished not to be taxed." Still Grenville, with all of his need for funds, was most reasonable in the pre-

liminaries. He brought forward the proposal of the stamp tax "from a real regard and tenderness" for the colonies, a year in advance. He appealed to the colonial agents. "If the colonies prefer some other tax, let them signify." But the agents could suggest nothing more efficacious than the exploded requisition system, using, probably, words such as those of Governor Bernard of Massachusetts:

> Although the right of the *Parliament* of *Great Britain*, to raise taxes in any part of the *British Empire*, is not to be disputed; yet it would be most advisable to leave to the Provincial Legislatures the raising the internal taxes. . . . If the sums required were fixed, there would be no inconvenience in letting the Provincial Legislature determine the manner, in which they shall be raised.

Colonial Resentment of Stamp Taxes Underestimated

The agents in London seem not to have understood the alarm against the proposed stamp tax which was accumulating at home, and which was incorporated in many of the protests against the Sugar Act. Nor was Parliament at all aware that internal taxes would call out such a clamor from America and so consolidate the growing opposition to rule of the mother country. Grenville said later, in the debate on repeal of the Stamp Act, "When I proposed to tax America, I asked the house, if any gentleman would object to the right; I repeatedly asked it, and no man would attempt to deny it. Protection and obedience are reciprocal." The advance resolution to lay stamp taxes on America, it was recorded, "was proposed, and agreed to, in a thin House, late at night, and just at the rising, without any debate." The Stamp Act was passed by the House of Commons at the end of February, 1765. "I never heard a more languid debate in this house," said Burke, "In fact, the affair passed with so very, very little noise, that in town they scarcely knew the nature of what you were doing."

Grenville spoke long in favor of the bill. Stamp taxes would be equal and easy, and require no prying in their collection.[1]

[1] He concluded with remarks about the Americans which were something between affection and acquisitiveness: "These children of our own planting, nourished by our own indulgence, until they are grown to a good degree of strength and opulence, and protected by our arms, will they grudge to contribute their mite to relieve us from the heavy load of national expence, which we lie under?" It was at this point that the very deliberate minister received "a pretty heavy thump" from Colonel Isaac Barré. This large, dark young soldier was of French blood, born in Ireland, and quick to improve an opportunity in debate. His extemporaneous outburst was better than careful composition. "*Children planted by your care!* No! your oppression planted them in America; they fled from your tyranny. . . . *They nourished up by your indul-*

Protests against the threatened Stamp Act from the legislatures of Massachusetts and New York had been most explicit, but they were fatally suppressed, so Parliament acted in genuine ignorance of the rising American temper. The House of Lords passed the act without debate. "The expence of the troops now employed in America for their defence," some English gentry were computing, "amount to nine-pence in the pound of our land tax; while the produce of the stamp-act would not raise a shilling a head on the inhabitants of America. . . ." Englishmen paid stamp taxes on more business and legal documents than were to be laid on Americans, and heavier ones, so the application to the colonies could hardly be revolutionary. A prophetic touch was given to the whole in the fact that the bill, late in March, 1765, received the royal assent by commission, since King George was temporarily out of his mind. And at the end of the session the King gave the House of Commons his "most perfect approbation" for "framing such regulations as may best inforce the just authority of the legislature, and . . . unite the interests of every part of my dominions."

Stamp Taxes Irritated All, Especially Lawyers

The Stamp Act was contrived with Grenville's customary thoroughness. It was remarkably comprehensive in its coverage and ingenious in its penalties against all methods of defiance or evasion. After November 1, 1765, stamps or impressions were required on all legal and commercial documents and all newspapers and pamphlets with a few trifling exceptions. We get some sense of the vexation of the colonists by listing a few of the many essential and ubiquitous items thus taxed.

> For every skin or piece of vellum or parchment, or sheet of paper, on which shall be ingrossed, written or printed, any declaration, plea, replication, rejoinder, demurrer, or other pleading, or any copy thereof, in any court of law within the *British* colonies and plantations in *America*, a stamp duty of three pence.

The act went on to extend this catalogue, with varying duties, to any paper of bail, petition, answer, claim, allegation, inventory, renuncia-

gence? They grew by your neglect of them: as soon as you began to care about them, that care was exercised in sending . . . deputies of some deputy . . . to spy out their liberty . . . and to prey upon them. . . . *They protected by your arms?* They have nobly taken up arms in your defence, have exerted their valour amidst their constant and laborious industry. . . ." He had been in America and knew it. "The people there are as truly loyal . . . as any subjects the King has; but a people jealous of their liberties, and who will vindicate them if they should be violated. . . ."

tion, donation, presentation, collation, register, entry, testimonial "or certificate of any degree taken in any university, academy, college, or seminary of learning," appeal, writ of error, writ of dower, judgment, decree, sentence, mismission, affidavit, deposition, rule, order, or warrant of any court; to the license of any attorney or notary; to any bill of lading, letters of mart, appointment to public office, any licence for retailing of spirituous liquors, any bond, guardianship, or warrant for surveying of land, and any deed, conveyance, and so on. The duties for licenses of lawyers and other legal officers ran as high as ten pounds. A pack of playing cards must have a stamp costing a shilling, and a pair of dice (evidently regarded as readier instruments for wasting money) ten shillings. Stamp duties on pamphlets and newspapers varied from one halfpenny for the smallest to one shilling for every sheet of paper contained in one printed copy of the largest. Those using unstamped paper or exposing unstamped newspapers to sale were to be fined ten pounds, and those found guilty of counterfeiting, erasing, or altering the stamps were to suffer the death penalty. The indentures of little apprentices were taxed, as also the papers signed between great merchants and masters of vessels for carriage of their cargoes.

The act taxed lawyers and merchants every time they turned around, and other citizens often enough. It was unfortunate for Britain that American lawyers were particularly vexed by the statute, for anything which recruited them to the colonial cause gave to the dissenting argument a logical arrangement and a sharpness of definition which would have been lacking without them. But more than this, as Burke later pointed out, the lawyers imparted to the brief for America a theoretical buttressing and a wealth of learned references which only they could supply, and gave an air of high constitutional fidelity which attracted loyalty in a way that mere recital of specific grievances could never have done. The men of law, as Burke said, could "augur misgovernment at a distance, and snuff the approach of tyranny in every tainted breeze." The publishers and writers of pamphlets and newspapers were by the Stamp Act made indispensable mouthpieces of protest. The score and a half of newspapers were "crammed with treason."

During the controversy over the Stamp Act much was made, on this side of the Atlantic and the other too, of the distinction between external taxation by England in the regulation of commerce and internal taxation of colonists for the raising of revenue. As English ministers demanding revenue insisted, there was not much theoretical difference between the two, and less practical difference. The colonists at first granted the

right of the mother country to external taxation, denied the right to internal taxation, though afterward both were repudiated together. Stamp duties were much more direct than import duties, were consciously paid by a much larger proportion of the population. Here were pence and shillings and pounds to be handed over for paper bearing the royal arms. In this way psychology made its powerful contribution to politics.

The southern planting colonies, by the stamp taxes, were brought to support the commercial colonies of the North, particularly New England, which were chiefly injured by the Sugar Act and by the proclamation forbidding western settlement, and thus had been the leaders in opposition to Britain's new colonial policy. Planters must pay stamp taxes for conveyances of land, for leases, for all law pleadings. And the planters thus affected, especially those of Maryland, Virginia, and South Carolina, were well able to indulge in theories on the natural rights of man, for many of them had been educated in Edinburgh and Oxford or at their own College of William and Mary, and had enjoyed the leisure to read the books which they regularly ordered sent them from Europe. If the philosophical bent of these southern tidewater gentlemen was prompted by a willingness to put off their English creditors, they had also been schooled in self-government in parish, county, and colonial legislature.

References for further reading will be found at the end of Chapter 7.

Chapter 7

The Eve of the Revolution

FIRST RESISTANCE TO THE STAMP ACT as a demand of the British Parliament was in the resolutions of the Virginia House of Burgesses. The resolutions are inseparably connected with the intrepidity of Patrick Henry. He was their author and, against the bitter opposition of the older, aristocratic leaders of the Burgesses, their successful advocate.

Henry had taken his seat only a few days before in May, 1765, representing an upland county. The House came "to consider the steps necessary to be taken in consequence of . . . the charging certain stamp duties in the colonies." Patrick, in his own words, "finding the men of weight averse to opposition, and the commencement of the tax at hand, and that no person was likely to step forth . . . determined to venture; and alone, unadvised, and unassisted, on a blank leaf of an old law book, wrote" a preamble and seven resolutions which he immediately offered. The next day, after a memorable debate in which youth was pitted against age, buckskin against silk breeches, up-country against tidewater, the House passed five of the resolves, and not before Henry had flung at his foes: "If this be treason, make the most of it." These resolutions of Henry's turned the whole discussion of British taxation of the colonies from deprecation to defiance. Henry had about him a recklessness which was prophetic.

The preamble declared the bold design of "settling . . . to all future times" the right of Virginians to be taxed by their own assembly only, and went on to establish the common law and charter rights of the colonists as British subjects. The critical resolves were

> That the general assembly of this colony have the only and sole exclusive right and power to lay taxes and impositions upon the inhabitants of this colony; and that every attempt to vest such power in any person or persons whatever, other than the general assembly aforesaid, has a manifest tendency to destroy British as well as American freedom.

Having got most of his resolves passed, with the help of his colleagues from the interior counties, Patrick Henry went home; he was seen "pass-

ing along Duke of Gloucester Street . . . wearing buckskin breeches, his saddle bags on his arm, leading a lean horse. . . ." With him out of the way, the Burgesses next day repudiated one of the resolves it had adopted under Henry's spell. But what was formally engrossed made no difference, for someone had taken a hasty copy of the paper as first penned, and so the counterblast to Britain spread to Philadelphia, on to New York, and to Boston, where eager minds and bold hearts understood just what the Virginian was saying. It was reported at the time that the Virginia resolutions in New England "were published and circulated far and wide in the newspapers, without any reserve, and proved eventually the occasion of those disorders which afterward broke out in the colonies. . . . The Virginia resolutions gave a spring to all the disgusted; and they began to adopt different measures." Another recorded their reception: "We read them with wonder; they savored of independence; they flattered the human passions; the reasoning was specious; we wished it conclusive. The transition to believing it so was easy; and we, and almost all America, followed their example, in resolving that parliament had no such right."

Henry himself said in reminiscence, "The alarm spread throughout America with astonishing quickness, and the ministerial party were overwhelmed. The great point of resistance to British taxation was universally established in the colonies." The willingness to acquiesce in the Stamp Act, which had seemed to possess the colonies for a time following its passage, was now suddenly set aside, and proved to be only the lull that came before the storm.

In 1764, as soon as the intention to lay the stamp duties was known, many in Boston had agreed not to import or consume English manufactures. Many promised to eat no lamb in order to increase the supply of wool; spinning and weaving schools were started. Other colonies took similar measures of economic resistance.

The "Sons of Liberty" rallied active popular opposition to the Stamp Act and other statutes of Parliament. These were vigilante organizations, at first secret, and were composed chiefly of small businessmen and mechanics. They powerfully supplemented the resolutions of legislatures and of intercolonial congresses, for they brought to the cause democratic support, and used coercion to make stamp distributors resign and to persuade obedience to the non-importation agreements. Though they have become hallowed in our history, because their partisanship was successful, they bore uncomfortable resemblance to the Ku Kluxers of a later time.

The Stamp Act Congress

When the Massachusetts General Court met, at the end of May, 1765, Governor Bernard gave them a little lecture upholding the authority of Parliament, "to which all other powers must be subordinate." In the decisions of Parliament the colony should "acquiesce, in a perfect confidence that the rights of the members of the British empire will ever be safe in the hands of the conservators of the liberties of the whole." The legislature did not pause to answer this praise of Parliament, but quickly called what was later known as the Stamp Act Congress, which was to meet at New York in the beginning of October, three weeks before the Stamp Act was to go into effect. The meeting was to be composed of representatives from the lower houses of all the legislatures, so that they might "consult together on the present circumstances of the colonies," and determine on a dutiful but united representation to King and Parliament against the obnoxious taxes. This was a broadly continental assembly, and as such it put resistance to England on a new footing.

The response of the other colonies to the appeal of Massachusetts gave promise of united, vigorous action. Delegates, instructed by appropriate resolutions, were appointed by five colonies besides Massachusetts — South Carolina, Rhode Island, Pennsylvania, Connecticut, and Maryland. The lieutenant-governor of New York did not permit the Assembly to meet to name delegates, but the standing committee of correspondence of this colony attended. The delegates of New Jersey and Delaware were not less ardent because elected only by certain members of the assemblies acting informally. This made nine colonies represented in some way. The assembly of New Hampshire promised concurrence in the action of the Congress.

The twenty-seven delegates met from the seventh to the twenty-fifth of October. James Otis, the real author of the Congress and its ablest speaker, found enough men of his temper in the assemblage to carry proceedings to the intended conclusion. The Congress made known its sentiments in all directions, adopting a "declaration of the rights and grievances of the colonists in America," an address to the King, petition to the Commons, and memorial to the Lords. In these papers America as a whole was speaking for the first time. In the interest of unity, reliance was not placed in guarantees of the separate charters, but the Congress agreed in the advice of Christopher Gadsden that "We should stand upon the broad common ground of those natural rights that we all feel and know as men, and as descendants of Englishmen. . . . There

ought to be no New England man, no New-Yorker, known on the continent, but all of us Americans."

The four statements of the Congress were substantially the same, and in them we see the Americans taking the positions which they maintained right up to the Revolution. While the colonists owed the Crown "all due subordination," their corresponding rights as Englishmen were to have "no taxes . . . imposed on them but with their own consent, given personally, or by their representatives." It was determined that colonial representation in Parliament was not feasible, and so the colonial legislatures were the only authority for internal taxation. The Americans, with an eye to raising up friends in England, pointed out that British manufacturers would be injured by restrictions on the colonists and by tax acts which absorbed the little specie. But they went further, and observed with great economic wisdom that Britain's interest lay in the development, not in the limitation, of the colonies. As the trade of the colonies centered in the home country, "they eventually contribute very largely to all supplies [taxes] granted there to the crown." Taxes which were a part of regulation of external trade were burdensome, but were allowed to be constitutional; on the other hand, internal and direct taxes, "by which your Majesty's commons in Britain undertake absolutely to dispose of the property of their fellow subjects in America, without their consent," were flatly condemned.

Stamp Men Resign

Meantime, the colonies severally and the people in them were astir against the Stamp Act. A Philadelphian wrote to a friend in Bristol, England, of "the great commotions throughout our colonies in general, which daily increase on account of the late stamp act for raising money amongst us. . . ." Legislatures and town meetings resolved against the Stamp Act, in both policy and practice. John Adams wrote in his diary, "our presses have groaned, our pulpits have thundered, our legislatures have resolved, our towns have voted; the crown officers have everywhere trembled, and all their little tools and creatures been afraid to speak and ashamed to be seen." A new newspaper appeared, *The Constitutional Courant*, "containing matters interesting to *Liberty*. . . . It had an emblematic headpiece of a snake cut into several pieces, on each of which were the initial letters of the names of the several colonies, and over it, 'Join or Die.' . . ."

Stamp distributors were forced to resign, so that not one remained in

office by the date the act was to go into effect, November 1, 1765. Thus inhabitants from several parts of Connecticut, having come on horseback to one Ingersoll, demanded "a total resignation of his office," which he gave in the words, "I do hereby promise, that I will never receive any stamped papers, which may arrive from Europe . . . nor officiate in any manner as stampmaster, or distributor of stamps, within this colony of Connecticut." John Hughes, appointed stamp distributor for Pennsylvania at the request of Franklin, wrote to the latter in anxious snatches during the night of September 16, "our clamours run very high, and I am told my house shall be pulled down and the stamps burnt. . . ." For the next week he was on armed guard to protect his skin and his stamps. A Philadelphia mob "burnt a figure that they called a stamp-man." Within three weeks Hughes had in effect resigned his office. In fact, all of the stamps soon were lodged in forts or on ships of war as the only places of safety, and thus were as far as possible from being distributed.

The most violent demonstrations against the Stamp Act occurred in Boston. In the morning of August 14 "were discovered hanging, on a limb of the great tree, so called, at the South part of this town, two effigies, one of which, by the labels, appeared to be designed to represent a stamp officer [Andrew Oliver] the other a jack boot with a head and horns peeping out of the top [Lord Bute]." The crowds which assembled to view these images were so much "affected with a sense of liberty, that scarce any could attend to the task of day-labour." At dusk the effigies were borne through the streets, the crowd shouting "Liberty and Property! No Stamps!" Next day Oliver, the stamp man, resigned.[1]

Hundreds of merchants in New York, Philadelphia, and Boston entered into formal agreements to make their orders for English goods conditional upon repeal of the Stamp Act. The English exporters had already felt, in the declining American trade during the summer, the effects of colonial displeasure, and did not need the petitions of their American customers to speed them to Parliament with appeals for re-

[1] A couple of weeks after the episode of the effigies, a Boston mob burned the records of the vice-admiralty court, assaulted the house of the comptroller of the customs, and "with intoxicated rage" sacked and destroyed the mansion of Hutchinson, the lieutenant-governor, who was wrongly said to have written in favor of the Stamp Act. Less violent measures were taken against the stamps in North and South Carolina. In Charleston, Henry Laurens was roused out of bed at midnight by the Sons of Liberty. He assured them that he "had no stamped paper or any connection with stamps," but his visitors insisted that he swear a "Bible Oath." He refused to do this, though they should "barbicu" him, so, in spite of being "heated with liquor and all armed with cutlasses and clubs," they retired with apologies, taking pains not even to step on the garden beds.

moval of the hated tax. Soon exports to the colonies fell off about one fourth, with consequent unemployment in English ports and manufacturing towns. This was bad enough, but there was question whether the Americans would pay their debts, always large. Glasgow's trade was chiefly with America, the plantation colonies especially, and its merchants complained that they began to despair of debts amounting to half a million sterling from Maryland and Virginia alone.

After November 1, 1765, when the Stamp Act was to go into force, most of the colonies at first treated it with passive disobedience by omitting all or most business which involved use of stamps. John Adams wrote in his diary, December 18, 1765, "the probate office is shut, the custom house is shut, the courts of justice are shut, and all business seems at a stand. . . . I have not drawn a writ since the first of November. Debtors grow insolent, creditors grow angry." This could not continue. The southern colonies had generally kept courts open and done business without stamps, and now the northern colonies adopted the practice. The plea was, that stamp distributors having resigned, stamps could not be had. Newspapers appeared with the death's head where the stamp should be.

In July, 1765, King George III dismissed Grenville over matters unconnected with the Stamp Act, and a new ministry under the Marquis of Rockingham came in. Rockingham and several of those in his cabinet were known to be opposed to the Stamp Act, so that the colonies anticipated hopefully the meeting of Parliament in January, 1766. Debate on the bill to repeal the act was prefaced by a long examination of Benjamin Franklin, agent of Pennsylvania and spokesman of the colonies, before the House of Commons. It was a model piece of testimony on Franklin's part, candid, concise, informed; he was loyal to the colonies on all of the critical constitutional points, and at the same time was persuasive in showing Britain the political and commercial wisdom of repeal.

A Pepper-Corn Leading to Destruction

In the resounding debate the cause of the colonies was pled by Pitt, Conway, and Camden, while the conservative British position was upheld by Nugent, Grenville, and Mansfield, with others on both sides skirmishing and sniping. The real matter at issue, more clearly seen by Pitt than by anybody else, was a liberal versus a strict interpretation of the British Constitution. Was the constitution a living means of pro-

moting imperial unity and prosperity, or a dead and arbitrary authority? Were members of Parliament statesmen or lawyers? Would they discover strength in yielding, or weakness in insisting? "The new ministers [who regarded Pitt, though he had declined to be of them, as their moral leader] spoke tenderly of the disturbances and confusions in America. The late ministers [at this time in opposition] were quite the reverse." Nugent, opening debate, wanted the letter of the law. He insisted "that the honour and dignity of the kingdom, obliged us to compel the execution of the stamp-act, except the right was acknowledged, and the repeal sollicited as a favour." The act would raise only a small part of the expense of maintaining troops in America, "but a pepper-corn, in acknowledgment of the right, was of more value, than millions without." Pitt declared that "Taxation is no part of the governing or legislative power." Taxes were "a voluntary gift and grant of the commons alone," and the commons of America were represented only in their colonial assemblies. He scorned the stock defense offered for British authority to tax Americans, "an idea . . . that the colonies are virtually represented in this house. I would fain know by whom an American is represented here? . . . The idea of a virtual representation of America in this house, is the most contemptible idea that ever entered into the head of a man. . . ."

Grenville rejoined by picturing the cumulative force of dissent in the colonies. "The government over them being dissolved, a revolution will take place in America." He could not understand "the difference between external and internal taxes," which was one of name only. He instanced parliamentary taxation of "many great manufacturing towns," and other corporations in the United Kingdom which were not represented by their own members. "Protection and obedience are reciprocal. Great-Britain protects America; America is bound to yield obedience. If not, tell me where the Americans were emancipated?"

Pitt rose again and quoted Grenville. "The gentleman tells us, America is obstinate; America is almost in open rebellion. I rejoice that America has resisted. Three millions of people, so dead to all the feelings of liberty, as voluntarily to submit to be slaves, would have been fit instruments to make slaves of the rest." He went on in quickening rhythm to deprecate Grenville's narrow legalism, and to plead that colonial trade which brought two million pounds profit to Britain every year be conserved and forwarded. Pitt cherished the future, Grenville and Nugent wanted payment for the past and the present. "The gentleman asks," cried Pitt, "when were the colonies emancipated? But I desire

to know, when they were made slaves?" He proclaimed America's right. He ended with the advice "that the stamp-act be repealed absolutely, totally, and immediately. That the reason for the repeal be assigned, because it was founded on an erroneous principle."

Declaratory Act Invites Further Controversy

The Lords were finally persuaded to join the Commons in wiping the law from the statute book on March 18, 1766. In its place was put the Declaratory Act, asserting that the Parliament of Great Britain had the right to make laws binding the American colonies in all cases whatsoever. This was an unhappy piece of face-saving, which later goaded the colonies to further resistance and which prompted Britain to a return to constitutional dogmatism. The moment was a critical one, when simple retraction would have prolonged the control of the mother country over her American empire, but grudging capitulation invited new battles. Pitt called the Declaratory Act "that barren tree, which cast a shade over the land but yielded no fruit." [1]

Repeal of the Stamp Act was greeted with enthusiasm on both sides of the Atlantic. The news reached Boston by a brig of John Hancock's two months after the event. The stately account of the *London Gazette* was eagerly circulated. It was apparent what a critical part the American non-importation movement, hurting the pockets of British merchants and manufacturers, had played in the decision to let up on the colonies. The "principal Merchants concerned in the American trade," after a meeting in the King's Arms tavern in Cornhill, made a procession of more than fifty coaches "to the House of Peers . . . to express their satisfaction at the signing the Bill for Repealing the American Stamp-Act. . . ." Copies of the repeal were immediately dispatched to New York and other ports on ships which had been waiting, loaded, for five months; messengers were sent "to Birmingham, Sheffield, Manchester, and all the great manufacturing towns in England" giving the glad word that

[1] Declamation, pro and con, on the subject of the right of the taxed to be represented, was hollow. The people of Britain, unless by very strained construction, were not represented in their own Parliament, both because the suffrage was limited to one million in eleven millions of inhabitants, and because the representatives were apportioned with gross inequality. The boroughs, many of them now decayed, sent nearly four fifths of the members to the Commons. Ten southern counties with three million people had nearly as many members in Parliament as thirty northern counties with eight million people. And Americans crying down taxation without representation forgot that on the average in the colonies not one person in ten had the right to vote, and that the tidewater counties sent more members to the legislatures in proportion to population than did the westward settlements.

goods could now flow to the colonies and there be received and paid for. News of repeal set Boston church bells ringing. The Sons of Liberty subsided, home manufactures were forgotten in the eagerness to buy the finer imported clothes, and portraits and statues of the different champions of repeal were ordered for public halls and squares from Boston to Charleston.[1]

But in the rejoicing, in both England and America, there was a tentative quality, a certain uneasiness. Hutchinson, speaking for Massachusetts, said the Declaratory Act "caused no allay of the joy, and was considered a mere naked form." But events soon showed that this was false assurance. The fact was that British merchants and manufacturers did not intend to lose their grip on the American market. British statesmen were really applying the brakes to American dissent, and released them temporarily only to clamp them again. The colonials were watchful of every fresh intimation of parliamentary authority over them, and were ready as a hair-trigger to repel it. Repeal of the Stamp Act brought a momentary truce in a contest which was gathering in force and intensity.

Developments came rapidly. Parliament replaced the Sugar Act's three-penny duty on foreign molasses with a one-penny duty on all molasses, thus dropping any pretense of protection to British sugar planters and acknowledging the tax as one for revenue. A couple of weeks after repeal, Secretary Conway wrote to all the colonial governors, citing the Declaratory Act first and the abrogation of the Stamp Act second, and asking for "that return of cheerful obedience to the laws and legislative authority of Great Britain . . . which are the natural . . . effects of so much grace and condescension so remarkably manifested on the part of his Majesty and of the parliament. . . ." But the temper of the colonials was rising. Their leaders seized upon every opportunity for dissent, and, similarly, governors pressed demands with unusual firmness. Every quarrel, magnified by thorough public airing, further divorced the contending parties.

The Townshend Taxes

The next wedge which pried apart mother country and colonies was provided in the three Townshend Acts, passed within a week in the

[1] Pitt in a toga may yet be seen filling a great part of the wall of the courthouse of Westmoreland County, Virginia, and Pitt in stone in a Charleston park. George III, in lead and brass, was mounted on horseback on the Battery in New York, but later contributed to a greater repeal in the form of Revolutionary bullets.

summer of 1767. They were called after Charles Townshend, the brilliant but impetuous young Chancellor of the Exchequer who devised them and then promptly died, leaving their troublesome execution to others. The year before, the opposition of George III had killed the Rockingham ministry. Pitt now formed a new one — what might since have been called a "National Government," made up without regard to political party. In his strange assortment of ministers he yoked together the lion and the lamb, the tortoise and the hare, and they borrowed the defects of each other. In his prime he might have driven this team, but he was no longer fit for it physically or politically.

In the early winter of 1767 the Opposition (old Grenville still knew how to fight) had demanded that revenue ought to be raised from America to support the military and civil establishments there. Townshend, not only without the consent but without even the knowledge of his fellow ministers, eagerly came forward with the promise, "I know the mode by which a revenue may be drawn from America without offense." He still believed in the principle of the Stamp Act, spurning the distinction ("ridiculous in the opinion of everybody except the Americans") between internal and external taxation of the colonies. But if it was only external taxation which they would abide, he would give them that. His central measure became the Revenue Act of June 29, 1767. It placed colonial import duties on classes of articles in common use — glass, red and white lead, painters' colors, paper, and tea. The duty on tea was threepence per pound. It was believed that this duty could be collected if the price of the legal tea were lowered enough to undersell the smuggled product with which the colonies had largely been supplied. To this end, by a separate act, the East India Company was allowed a drawback (reimbursement) of the import duties paid on tea in England when this tea was taken to the colonies.

The third of the Townshend Acts tightened customs collection by providing for commissioners in the colonies, these to enjoy all of the authority which formerly had belonged only to the customs commissioners in distant England. Under this American board, with jurisdiction over the entire Atlantic seacoast, customs administration was given an unwonted efficiency, with ubiquitous collectors sent from Britain — not the old lax colonial deputies — demanding lists of cargo and going through inspections at every wharf and inlet. Thus the historic Navigation Acts were brought to life, for they were enforced for the first time in a hundred years.

Colonial denunciation of these Townshend laws was prompt, for they

fell like cold water on leaders flushed with success in recent repeal of the Stamp Act. If special sting had been needed, it was supplied in the suspension by Parliament of the New York Assembly for failure to comply with the Quartering Act. The colonists did not want to be taxed to support the increased regiments which were to be sent to guard them and to defend, besides, the newly acquired territories of Nova Scotia and Florida. When General Gage made requisition on Governor Moore of New York for funds to billet his troops, the Assembly complied only in part. It was held unfair to load on one colony, where most of the troops happened to be stationed, an expense which should be shared by all. The suspension of the Assembly made it clear that Parliament would use its privilege of giving orders to an American legislature, a privilege which imperiled, if it did not destroy, American self-government.

The grounds of colonial remonstrance against the Townshend Acts were best expressed by the *Letters of a Farmer* of John Dickinson of Pennsylvania and by memorials of the Massachusetts House prepared by Samuel Adams. Dickinson pointed out that "Great Britain claims and exercises the right to prohibit manufactures in America. Once admit that she may lay duties upon her exportations to us, for the purpose of levying money on us only, she then will have nothing to do but to lay those duties on the articles which she prohibits us to manufacture, and the tragedy of American liberty is finished." The protest of Massachusetts was issued in a circular to the assemblies of the other colonies hoping for uniform action. The letter was weighty in its simplicity. The Townshend Acts had matured and broadened American dissent. If the colonies were to be taxed without their leave, and if these taxes (expected to yield forty thousand pounds) were to be used to pay judges, governors, and generals, thus removing these from control by the colonial legislatures, the constitution was being set aside.

Boycott of Britain

This action of Massachusetts promoted correspondence between the colonies which led on to political and economic collaboration. Half the colonies returned cordial replies as it was, but Lord Hillsborough, the colonial secretary, spread indignation in every quarter by a foolish action. In the King's name he demanded of every governor that he prevent action by his assembly upon the "seditious paper" from Massachusetts, dissolving the legislature where he could not control it. This

stirred debate, animated the patriot press, provoked meetings in towns and villages. Otis's answer in the Massachusetts House was soon to be that of America: "Let Britain rescind her measures, or the colonies are lost to her forever." Instead of isolating Massachusetts, the colonial secretary helped to unite America.

Refusal to trade with the mother country had been effective in securing repeal of the Stamp Act, and was now revived against the Townshend Acts. Inspired by the example of Bostonians, signers in town meetings in several New England colonies agreed not to buy dutiable articles. Home manufactures of glass and paper were encouraged, sometimes by public subsidy. The new import duties and the regime of strict enforcement of all the trade acts had gone into effect in November, 1767. The following spring merchants themselves tried to extend the boycott. The majority of those in Boston agreed not to import commodities from England, and by the spring of 1769 New York and Philadelphia merchants had joined.

Every merchant who signed had a powerful incentive, of course, to coerce those who continued to import. A thousand Boston merchants in a procession visited those who refused to conform — an impressive marching picket line. The non-signers protested loudly against the illegal authority, assumed by the patriot traders, to inspect and sequester goods. The boycott was effective in the North, British imports to Pennsylvania falling from £441,829 in 1768 to £134,881 in 1770, and those to Massachusetts being cut almost in half in a single year. Less was accomplished in the South.

While the Townshend Acts were in force, and partly as a consequence of them, happenings in Massachusetts and elsewhere widened the gulf between colonies and mother country. William Pitt (Lord Chatham) resigned as head of the ministry in 1768, and the Duke of Grafton succeeded to his place. Grafton had no better guiding policy than Chatham, and less skill in dealing with individual episodes in which the Americans expressed their grievances. The customs commissioners begged for a naval vessel to protect them, and secured, in 1768, dispatch to Boston harbor of the man-of-war *Romney*. This did not prevent the unloading of Madeira wine from John Hancock's sloop *Liberty* without payment of the heavy duties, so that she was seized by the customs men and placed under the guns of the battleship. Wine was conspicuously run away with, *sans* duty, by mobs in several ports, informers were tarred and feathered, a revenue sloop was burned at Newport. The Boston port authorities, after assaults on their houses, fled to the fort, Castle William,

on an island in the harbor. Opposing the bringing of more British troops to Boston, the representatives of ninety-six towns came together to adopt a statement of grievances. The people were arming themselves. Immediately the regiments arrived, were paraded on the Common, and, against the wishes of the town, were quartered there.

Threat to Seize Traitors

Parliament, meeting in December, 1768, severely censured the colonies for the non-importation agreements, approved the sending of troops to Boston, and recommended that an obsolete statute be revived in order to bring offending Americans to England for trial. This proposal to take their leaders across the seas for prosecution for treason further outraged the colonials. The animus of England against prominent persons formed a clearer challenge, in the minds of many Americans, than parliamentary transgression of principles. Promptly the Virginia House of Burgesses got itself dissolved by passing condemnatory resolutions. The resolves, which also denied the rights of Parliament to tax the colonies, were drawn by Mason and introduced by Washington, and were couched in language worthy of descendants of the barons of Runnymede. A number of the American spokesmen had been trained in English constitutional law at the London Inns of Court, and thus were quite the equal of their antagonists in legal lore.

Grafton resigned as Prime Minister. George III called on Lord North to come into the parliamentary breach and uphold a ministerial prestige which the King considered necessary to his own exercise of power. North deserved the name of royalist if any Britisher of his time did. Insisting upon prerogative, he hastened the Revolution, and with bulldog determination fought it out to the disastrous finish. He began in April, 1770, by repealing the Townshend duties, all except the tax on tea. He said that he would have liked to lop that off, too, but this he could not do because the right of Parliament to tax the colonies must be acknowledged. The spirit of the Declaratory Act still lived. The tax on tea remained not so much a tariff as a taunt.

After news was received in May, 1770, that the Townshend duties, except for the tax on tea, were repealed, the non-importation agreements were abandoned, but by Boston last of all. American exports had declined, merchants and planters would not suffer losses indefinitely, and rival trading centers were not yet ready to bury suspicions of each other and cement their union.

In 1772 Samuel Adams secured the appointment of a committee of correspondence in Boston which in an address stated the violations of colonial rights and invited replies from other towns of Massachusetts and elsewhere. Hardly had the scheme got under way when the proposed correspondence of committees, through action of the Virginia House of Burgesses in March, 1773, became intercolonial instead of being confined chiefly to one province. These committees became the links between the protesting colonies.

The Boston Tea Party

Repeated concessions had been made by Parliament to the East India Company to increase the legal export of tea to the American colonies and relieve the financial distress of what was a quasi-public business. The company had seventeen million pounds of tea unsold in its warehouses. It was now permitted to ship tea direct to its own agents in America. The middlemen, private merchants in England and the colonies, were thus eliminated. Tea had dropped in price in America until it was selling for half what the English consumer paid. Nine tenths of the tea consumed in America had been smuggled, but now even the smuggler was to be undersold. The duty of threepence a pound to be paid on import of tea into the colonies was retained.

Clever men saw at the time that it would have been wiser to collect this tax in England than in America. The price here would have been no higher but the tax would have been concealed. The smuggling merchants, who were to be cut out by the monopoly, had much to do with rousing opposition to the legal import of tea, and skillfully paraded every argument to hurt the business of the East India Company, including hatred of the tax as the sign of British authority. Without the tax as a constant irritation to the American public, the campaign of the merchants would have provoked less response. But the people needed little prodding to make them detest the tax for its own sake, though it was a part of a scheme which gave them cheaper tea. And the colonists were correct in looking upon the tax as a test of British dominion over them. George III would listen to no arguments against the tea tax. Said Lord North, "The King meant to try the question with America."

Thus, in the autumn of 1773, the stage was set for a contest. Tea ships sailed for Boston, New York, Philadelphia, and Charleston. The colonists were bracing themselves for resistance to landing of the cargoes

and collection of the tax. A meeting in Philadelphia resolved that every person who "countenanced the unloading, vending, or receiving the tea, was an enemy to his country." Of four tea ships bound for Boston, one was "cast away on the Back of Cape Cod," but the others, the *Dartmouth*, *Eleanor*, and *Beaver*, late in the year dropped anchor in the harbor. The unpopular agents appointed by the East India Company to receive the tea, though summoned by mobs to resign, refused to do so, and took refuge in the fort. Samuel Adams on behalf of the combined committees of correspondence issued a letter declaring that "this tea now coming to us [is] more to be dreaded than plague and pestilence." Boston had stirred up the other colonies, and every sign of resistance in them was in turn used to stiffen the Massachusetts resolve. A meeting of the Boston area, as soon as the *Dartmouth* arrived, moved that no duty should be paid and the tea be sent back to England. A guard of citizens watched the ships to prevent landing of the tea.

Midnight of December 16 was the zero hour when the tea, if not allowed to go back to England, must pay duty or be seized and sold. A mass meeting in Boston was prolonged to permit the owner of the *Dartmouth* to make a last futile appeal to the governor to grant a pass for the vessel to go out. By the time the refusal was received, night had fallen, and under its cover fifty men, disguised as Mohawk Indians, had gathered near the meeting hall. At a prearranged signal from Samuel Adams the warrior band, with a mob of a thousand trooping after, went to the vessel, broke open the chests of tea (342 of them, worth £18,000) and cast the contents into the harbor.

Five "Intolerable Acts"

The Boston Tea Party angered the governing classes in England. At first these had usually been willing to defend the American colonies. The dispute now passed altogether from its economic phases and became a political conflict. The colonies were viewed as riotous and arrogant. They were to be punished for their insubordination. Lord North, the leader of the ministry, was obedient to the King, and the King liked nothing better in his intervals of sanity than meting out punishment.

British retribution took the form of what the colonists termed the five "Intolerable Acts" passed in 1774. The first of these closed the port of Boston to all commerce except necessary foodstuffs for the inhabitants until it had been certified by the King's officers that customs could be quietly collected there, and that the India Company had been indem-

nified for the destruction of its tea. Quantities of provisions sent by other colonies for the relief of Boston had to be entered at Salem, thirty miles away, before they could be taken to the outlawed city.

The second act virtually abrogated the charter of Massachusetts. Most of its democratic features were taken away. Town meetings, which had been the principal means of rousing the public, were to be curbed.

The third of these "Intolerable Acts" was intended to protect officers of the Crown who were accused of capital offenses growing out of collection of customs or suppression of riots.

The fourth was the Quartering Act, to prevent the banishment of soldiers to distant barracks such as had been accomplished in Boston.

The fifth in this group of laws that gave such offense to the colonies extended the government of Quebec to embrace what later became the "Northwest Territory" extending down from the Alleghenies to the Mississippi as far as the Ohio. The Quebec Act recognized the Roman Catholic Church to which the French population adhered. In criminal cases the English law was to be used with trial by jury, but in civil suits the old French law without jury trial was to be followed. In protest against the Quebec Act the colonies did the King, Lord North, and his colleagues an injustice. The law was not designed, as the Declaration of Independence claimed, for abolishing the free system of "English laws in a neighboring Province, establishing therein Arbitrary government," and preparing to introduce the same absolute rule in the rest of America. Neither was it intended to force the Catholic religion upon Protestants. The fact is that the Quebec Act embodied wide plans for the control and orderly settlement of what had been a turbulent region ever since it was won from France in 1763.

The First Continental Congress

The next act in the revolutionary drama embraces the First Continental Congress and its Association for the stopping of trade with England. The Continental Congress, which met in Carpenters' Hall, Philadelphia, September, 1774, was composed of delegates from all of the colonies except Georgia and had grown immediately out of a recommendation of the Viriginia House of Burgesses for an annual assemblage. More remotely, it had sprung from the Massachusetts committees of correspondence. The Congress gave further opportunity for the colonial leaders to know each other. It adopted addresses to King, Parliament,

people of Great Britain, and so on. The delegates concluded that redress of grievances could best be had by stopping trade with Britain. The covenant which was adopted extended to the whole colonial area many local agreements for commercial non-intercourse which had sprung up in the previous months. No British wares were to be imported after the first day of September, 1774; after this day no East India tea was to be imported from any part of the world, nor were any slaves to be brought in.

Unless the obnoxious British acts were repealed, there was to be no exportation to Great Britain, Ireland, or the West Indies after September 10, 1775. It was piously hoped that all manufactured goods of the colonies would be sold at reasonable prices, and the delegates encouraged home industry, particularly in woolen goods. In every place a committee was to enforce the agreement by bringing public blame on violators. The Congress had no power to make laws, yet general obedience to it justified the authority which the succeeding Congress assumed. A new national spirit prevailed. Patrick Henry declared in the midst of debate: "Fleets and armies and the present state of things show the government is dissolved. . . . The distinctions between a Virginian, Pennsylvanian, New Yorker, or a New Englander hold no more. I am not a Virginian but an American."

American imports from Britain in 1775 fell to almost nothing — twelve hundred pounds. British merchants and manufacturers came clamoring to Parliament demanding repeal of the acts which had alienated America.

Futile Attempts at Conciliation

Now followed a critical period when conciliation by the mother country or resistance by the colonies to the coercive acts hung in the balance. Attempts at compromise were made on both sides. Another act of coercion was passed — the New England Restraining Act — on March 30, 1775. This measure was introduced with the explanation by Lord North that "as the Americans had refused to trade with this Kingdom, it was but just that we should not suffer them to trade with any other nation."

The law forbade the New England colonies to have commercial dealings with any place but Great Britain and Ireland, and the British West Indies, and excluded New England fishermen from the Grand Banks. In April, 1775, when England had heard of the approval in America of

the Association (trade boycott), the Restraining Act was extended to include all of the colonies except New York, Georgia, and North Carolina, which, it was believed, were not loyal to the agreement. The Restraining Act was threatening to divorce her colonies from England when Edmund Burke made his celebrated speech on conciliation, seeking immediately to defeat the punitive trade measure. Burke had generous and wise views differing at all points from the narrow and captious demands of the King and the King's friends. He saw that the value of America to the British Empire lay in its commercial development, and that political loyalty would follow from co-operative economic relationships. He accurately pictured Americans as proud, ingenious, industrious, ready to be won, entirely unwilling to be compelled. England was being ruled by the last of the landed aristocracy which had grown stale and dogmatic and was soon to be replaced at home by representatives of the rising industrial class.

By the time the Second Continental Congress assembled in the State House at Philadelphia on May 10, 1775, the Revolutionary War had already commenced with the battles of Lexington and Concord and the seizing of forts on Lake Champlain by Ethan Allen and his Green Mountain Boys. During the next month occurred the battle of Bunker Hill which the Americans felt to be a victory for them even though, because of lack of ammunition, they were compelled to retreat. While we did not formally assume the rôle of an independent country until a year later, we were in a state of armed revolution from this time forward. The commercial, cultural, and political differences between mother country and the colonies, which had been critical ever since 1773 and which ran back of that date, had now passed through all the steps of debate to actual clash of arms.

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Part Two

REVOLUTION, CONSTITUTION AND NEW GOVERNMENT

Chapter 8

Financing the Revolution

THE COUNTRY never fully collected its strength, of materials and men, for the formidable undertaking of military revolt against Britain. The slow pace of the war gave opportunity for marshaling our energies, but it also furnished excuse for delay, divided councils, and negligence. Never welded into a political unit, we lacked military cohesion as well. The service of supply to the army suffered shamefully. Except in places, at special times, the country was productive and prosperous. This was partly in spite of, partly because of the war; British and French quartermasters brought hard money. All of the fortitude and steadfastness of Washington and his patriot helpers were needed to continue the struggle even though support was often half-hearted.

The financing of the Revolution showed every kind of ineptitude: poor planning, hasty action at one time, procrastination at another, bungling and frequently corrupt administration. But the charge is tempered if we judge in the light of the limitations of the Continental Congress and the difficulties of its task. Congress began and continued for six years as an informal body, without sanctions except as these sprang from the peril of the country. Even after the Articles of Confederation were adopted, in 1781, it had no power to tax the people of the states directly or indirectly. Congress in all its measures to collect a revenue was dependent upon the acquiescence of colonies, afterward states, who were jealous of its authority and distrustful of its good intent. Inexperience was a bane, and by the time this was overcome troublesome precedents had been set. Congress had to learn by doing, and the doing was difficult in the face of invading armies and fleets. The task of finance began before independence was declared, and after this event we were regarded, except in interested quarters, not as a sovereign nation, but as revolted colonies of the greatest empire on earth.

It is not surprising that the overwhelming reliance was on paper money of every conceivable form. At the beginning of the Revolution there was less than twelve million dollars of hard money in the country.

National taxation did not appear feasible because Congress had not sufficient moral support of the people and colonies, who were rebelling against Britain precisely because of taxes. Domestic loans promised little. Borrowing abroad in the beginning was out of the question. On the other hand, speed was essential, and the expedient of paper money was familiar. All of the colonies had used it, though most with unhappy results, and they had chafed under the mother country's stoppage of the practice. Moreover, Congress could not look ahead and see to what financial dissipation the issue of the comfortable bills of credit would lead, for at the outset most men believed that after a sharp defiance of Britain differences would be composed and there would be no separation and long war.

The evils of excessive paper money were increased by the issues of the states which began as early as 1775. By 1779, when Congress issued no more of its paper money and prevailed with the states to stop their emissions, the volume put out by the states stood at more than $209,000,000, a little above the total of Continental issues. Virginia alone was responsible for more than half the total state issues of paper money. Depreciation would have been less rapid had the printing-press notes been only in large denominations, but the Continental notes were sometimes for as little as one sixth of a dollar; states struck fractional notes, and even individuals pushed into the stream their private tokens, often for use as change.

The first issue of Continental paper money, equal to two million Spanish milled dollars, was authorized in June, 1775. The light-heartedness of the act was seen in a rhetorical question of a member of Congress: "Do you think, gentlemen, that I will consent to load my constituents with taxes, when we can send to our printer, and get a wagon-load of money, one quire of which will pay for the whole?" This innocence, afterward displaced by less excusable traits, was a spring from which flowed first a trickle of paper notes, then a rapid stream, then a bold current, becoming finally a torrent and a flood. The descent was easy. Optimism led to broken promises, one abuse of confidence caused another, until finally demoralization was so complete that Congress was excused, even justified, for an act of almost total repudiation. Confession of failure was better than continued contempt for plain facts.

Even so, Congress exercised what seemed reasonable care for the retirement of paper issues. Each colony was to gather in, through taxes laid as it saw fit, its proportion of the notes of which quotas were as-

signed according to rough estimates of population. Colonial treasurers, before sending to Philadelphia the paper money thus collected, were to deface the bills, which on reaching Congress were to be destroyed. Any colony not remitting its quota in Continental paper money was to supply the deficiency in gold or silver, which was to be held for the redemption of the corresponding paper bills when this should be demanded by the holders. The assessment of Delaware, the smallest, was less than one thirteenth that of Virginia, the most populous colony. The trouble was that the states, holding the sole power of taxation, used it only partially or belatedly for the purpose of retiring continental bills, and added to the supply of fiat money by issuing their own without restraint. Congress requested, and patiently and politely requested again and again, and then exhorted until strong words lost their meaning, but all to pitiably small effect.

Depreciation, Committee Management, Counterfeiting

Within little more than a year five issues of fifteen million dollars total had been authorized, and the Continental money had begun to depreciate; that is, could not be exchanged at its face value for specie (gold or silver coins). This danger signal was heeded; Congress determined to try a loan of five million Continental dollars. This measure would avoid a drain on the slender supply of specie in the country, and put Congress in funds without issue of additional paper money. The certificates to be given in exchange for the Continental bills were to be redeemed in three years, and meantime were to bear interest at four per cent. But this rate was below the six per cent prevailing for good private loans, which were preferred anyway, so few went to the loan offices, and with small sums. John Adams, exerting himself to get the interest raised to six per cent, wrote that

> If the loan officers should not procure us money, we must emit more, which will depreciate all which is already abroad, and so raise the price of provisions and all the necessaries of life, that the additional expense to the Continent for supplying their army and navy will be vastly more than the two per cent in dispute, besides all the injustice, chicanery, extortion, oppression, and discontent which is always occasioned everywhere by a depreciating medium of trade.

The higher rate was voted, but was of little help. Congress resorted to a lottery, intended to draw about a million into the treasury. This device had long been familiar in the colonies, and Great Britain was at

that moment employing it on a huge scale to finance its side of the war. The lottery got under way slowly, since only part of the tickets were bought. The "fortunate adventurers" had to take interest-bearing notes for their prizes, and some of these were redeemed only years afterward and at the rate of forty dollars in paper for one of specie. Since the lottery dragged, Congress fell back on more issues of paper money and on a futile appeal to the states to tax themselves, according to no assigned quotas, and advance the funds to the Continental government.

The finances were managed by successive committees of Congress, of which the longest in office was the Board of Treasury of ten members, set up early in 1776 and continuing until Robert Morris became Superintendent of Finance five years later. Reliance on a board for this critical work involving creation of plans for raising revenue and systematic audit of complicated accounts was destined to disappointment. The administration was cumbrous, exasperatingly slow, and indecisive. Robert Morris wrote at the outset: "If the Congress mean to succeed in this contest, they must pay good executive men to do their business as it ought to be, and not lavish millions away by their own mismanagement." And Hamilton urged, after disastrous experience with the Board, "A single man, in each department of the administration, would be greatly preferable. . . . Boards partake of a part of the inconveniences of larger assemblies; — their decisions are slower, their energy less, their responsibility more diffused."

As a result of ineffective control, the accounts of various boards, commissioners, agents, and quartermasters became so confused, and remained entangled for so long that they had ultimately to be settled by arbitrary means. The mixup was inevitable, and has characterized more unified governments at war. There was the major division of authority between Congress and the states, to which was added much delegation of responsibility, and many conversions and substitutions. Counterfeiting of both Continental and state issues was industriously promoted by the British in the belief that destruction of faith in the currency was a potent means of bringing surrender. Two issues were so discredited in this way that they were withdrawn by Congress. However, inflation depreciated the value of the money to a far greater degree than the nefarious art of the counterfeiter; indeed, after a while inflation made counterfeiting unprofitable. Congress, in efforts to prevent counterfeiting, directed that all sorts of flourishes and secret marks be engraved on the notes. A few flourishes in the form of taxation would have done more toward rescuing the currency. Congress did appeal to

the states to raise five million dollars in taxes in 1778 to be lent to the Continental government, and to refrain from unnecessary issues of state paper, but this was just crying down the wind. So the central authority slipped back into the easy groove of turning out more millions from its own presses. In 1778, five times as much was issued as the year before, only to have this sum exceeded in the first four months of the year following. The states took up with alacrity the recommendation that they confiscate the property of Loyalists for the benefit of the Continental and their own treasuries.

Continental Currency Dishonored

In September, 1779, when the total Continental debt was nearing \$200,000,000, only \$3,000,000 had come from taxes, and a little more than \$30,000,000 from loans. The remainder was paper, which was increased in amount in a race with depreciation. New loans had no hope of success unless interest payments were stepped up as the value of the money fell. The states were again exhorted to tax their people for the benefit of the starving army, but when homilies produced nothing, they were begged to seize and forward supplies of corn, hay, beef, flour, pork, rum, salt, and so on. This was the last miserable expedient, awkward and wasteful. These defects, however, were negligible, as compared to the general failure of the states to comply.

The paper money was virtually worthless. At best it exchanged for specie at one seventieth of its nominal value. Congress now turned, from fruitless appeal to patriotism for acceptance of the money, to repudiation. By an act of March, 1780, it resolved to receive forty dollars of the old paper for one dollar of "new tenor" bills. The new issue was to be confined to one twentieth of the old; that is, to \$10,000,000; it was to bear 5 per cent interest, and was to rest directly on the credit of the states and ultimately, if the states did not meet interest and principal, on that of the Continental government. The new notes depreciated faster than the old had done, all of the assurances issued with them falling on deaf ears. Said Pelatiah Webster: "The people of the states had been worried and fretted, disappointed and put out of humor by so many tender acts, limitations of prices, and other compulsory methods to force value into paper money . . . and by so many vain funding schemes, declarations, and promises . . . that their patience was all exhausted. . . ." The states had been recommended to make the new

paper legal tender; as a consequence, "Instead of the creditor pursuing the debtor with an arrest, the debtor pursues the creditor with a tender of Continental money, and forces the bond out of his hand."

Between 1777 and 1780, when this legal tender was progressively depreciating from a slight discount to no value whatever, creditors owed fixed sums were defrauded. Widows, orphans, annuitants, endowed institutions were paid off, often both principal and interest, in the pretense that "denominations and sounds" were "equivalent for real substance." Workers did not lose by the depreciation. The sudden flood of paper money, combined with war stimulation of demand, gave them full employment, and they spent their wages as soon as received. Small-business men, turning their money over quickly, were in much the same case. Debtors as a whole, willing to take advantage of their technical rights, were clear gainers by the amount of the depreciation. Bolles has said that "No agrarian law ever had a more extensive operation than Continental money." While some new monopolists rose by the paper money, on the whole its effect was to redistribute wealth in the interest of the poorer classes. Thousands of mortgaged farms were cleared with trifling payments.

Congress tried to halt the depreciation by condemning the person who refused to accept paper money on a par with gold and silver as "lost to all virtue" and "an enemy of his country." The most noticeable effect of depreciation was, of course, the rise in prices. An attempt to fix prices was made by a convention assembling in Providence as early as 1776, and Congress recommended to all the states that they pass price-fixing statutes. In these wages were embraced, and those who tried to escape the laws by hoarding goods were threatened with fine and imprisonment. Earnest citizens of Philadelphia resolved that hard money, which revealed by comparison the badness of the paper, was not to pass there any more; they "hung up and burned in effigy a dollar in hard money," doubtless one of the few that could be found. Naïve people, and some others, believed that "an insatiable thirst after gain, and not the depreciation of the currency, is the grand cause of that enormous height to which the prices of things have arisen." More realistic observers put the blame on the paper money, where it belonged, and finally, in 1778, Congress recommended that the coercive statutes of the states be repealed.

For almost two years there was little depreciation, since the number of transactions of all sorts increased with the money in circulation, but long after the fall in value of paper money became notorious, Congress

and many in the country believed that it could be prudently received, as it would later be honored at full value. When the legal-tender acts were repealed, scales of depreciation were adopted and other devices were introduced by law to accomplish rough equity between creditor and debtor.

One reason for the spectacular depreciation and final eclipse of the Continental currency was the new plenty of specie, gold and silver, loosed by the French and British quartermasters and brought in by a brisk trade with Havana. The real thing made the rag money ridiculous, driving it into long retirement in the safes of speculators who had an optimism sublime enough almost to exculpate their greed. In this state of affairs the army might have been starved into disbandment had not citizens of Philadelphia subscribed £260,000 to a fund (erroneously called a "bank") for the purchase of three million rations and rum for the troops. Congress promised to repay them. Some other citizens were not so patriotic, with farmers willing to sell to the enemy for specie rather than yield anything on poorer terms to the American foraging parties.

Robert Morris to the Rescue

Finally, in February, 1781, Congress had the wisdom to resolve to place the all-important department of finance in the hands of a single responsible official, and asked Robert Morris to accept the assignment. He was the fittest man for the post, as Hamilton had previously pointed out. Born in England, he had come to this country as a youth, and had risen to be one of the richest merchants in America. He combined boldness with judgment and integrity. He had been a persevering patriot in the Pennsylvania Legislature and in Congress. In his last years, after services of the first order to the Revolution, he met a fate which a grateful country should have prevented. His far-flung affairs becoming involved, he was jailed for a long period for debt.

Morris made two conditions for accepting the appointment as financier — he must be permitted to continue with his private affairs, which he could not in fairness to others desert, and he must be given authority to appoint and discharge his subordinates. Congress for some months balked at the latter stipulation, since men like Samuel Adams were so much better in claiming sovereignty than in translating it into effective administration. Hamilton, hoping Morris would not be deterred from

Lambert

ROBERT MORRIS

taking the office, even by the imbecility of Congress, gave a forecast which the older man did his best to carry into action:

> 'Tis by introducing order into our finances, by restoring public credit, not by gaining battles, that we are finally to gain our object. 'Tis by putting ourselves in a condition to continue the war, not by temporary, violent, and unnatural efforts to bring it to a decisive issue, that we shall in reality bring it to a speedy and successful one.

Congress agreeing to his indispensable terms, Morris became superintendent of finance in September, 1781. In the new era which he introduced, he was assisted by the virtual extinction of paper money, and the early substitution of a specie regime in name if not always in fact. The ratification, at long last, of the Articles of Confederation, was of psychological advantage, though these formally gave to Congress full financial responsibility, but no power to raise money by taxation. On the other hand, the treasury was empty, the states levied few of the taxes demanded and remitted less of the receipts to Congress, and American agents abroad found it hard to extract further loans from French King or Dutch bankers.

Morris with remarkable charity could excuse some of the weakness at home while he planned to overcome it. Relying on foreign financial help only as an auxiliary, he would draw out the resources of America, which nobody really doubted were adequate if only they could be dragooned. Condemning indents, or loan office certificates used to pay interest on previous loans, Morris wrote:

> It is high time to relieve ourselves from the ignominy we have already sustained, and to rescue and restore our national credit. This can only be done by solid revenue. Disdaining . . . timid artifices . . . I prefer the open declaration to all of what is to be expected, and whence it is to be drawn. To the public creditors, therefore, I say that until the States provide revenues for liquidating the principal and interest of the public debt, they cannot be paid; and to the States, I say, that we are bound by every principle held sacred among men to make that provision.

In this spirit he supported the proposal of Congress, in 1781, that the states confer on the central government power to lay a 5 per cent import duty on all foreign goods except munitions, salt, and some others, the proceeds to be used to pay principal and interest of the public debt, and to be collected until this was extinguished. He thought the import duties would yield one million dollars a year. All of the states gave the necessary consent except Rhode Island, which raised objections, some specious and all selfish. Morris analyzed and refuted these patiently, Rhode Island's own delegates in Congress wrote the governor that the measure was "so essential to the adoption of a regular, frugal, and productive system of finance, that we cannot enter into the necessary details of a permanent revenue without realizing it," and Congress sent a committee to plead for agreement. But the littlest commonwealth was obdurate and defeated the plan. Morris urged, with no better result, a

poll tax, land tax, and excises on distilled liquors — each to raise half a million dollars. The tariff proposal was brought forward again in 1783 with concessions — a limitation to twenty-five years and collection by state officials — but after three years New York, the last state to give consent, imposed conditions which wrecked the scheme.

Partial Reform of Finances

Morris abolished the system by which the states furnished their quotas, or such part of their quotas as they forwarded at all, in specific supplies, and substituted remittances by the states in specie, with which he paid the army contractors. He watched the contractors and quartermaster-general's department with the eye of a hawk, even requiring the latter to clip the gold coins which weighed more than those commonly in circulation.

Morris founded the Bank of North America, a national bank of note issue which was given a monopoly during the war, united investments of men of wealth with the credit of the government, and helped to establish a sound currency by redeeming its notes in specie. Morris may have taken these and other features of the bank from plans supplied to him by Hamilton, at that time on Washington's staff. The bank, as Hamilton foresaw, offered the best means of using specie lent by France, $200,000 of which was put into its capital in addition to a slender $70,000 subscribed by individuals at home. This employment of loan funds as bank capital was superior to buying with them supplies abroad (which was subject to loose administration and the hazards of the sea), or to buying up paper money at home (which would have caused a too rapid appreciation of the currency, or deflation of prices). The bank's notes circulated at first at a discount of 10 or 15 per cent, especially in New England, but Morris promptly created a demand for them in this quarter and soon they were received everywhere at par. The bank lent the government in two years more than a million and a quarter dollars, and paid it dividends equal to a major part of the interest on this sum. It was an effective agent of the government in collection of taxes. Finally, in 1787, Pennsylvania thought better of misgivings and granted the bank a charter which permitted it to continue to this day.

Morris encouraged all efforts of Congress to abandon fiat money of every sort and place the country and the treasury on a specie basis. He tried, though without success, to settle the snarled accounts with the states, to reduce them to a specie expression, and to fund the national

debt; that is, lump it in one sum and provide for interest and retirement. Had requisitions of Congress upon the states been always made for money, it would have been possible to see at a glance just how far each had lived up to its obligations, and each could not have hung back, claiming that it had done more than its share. Such a system might have produced a competition to fill, not to refuse, quotas. Morris thought it not too late to mend, but events caused further harmful delays.

Morris proposed a plan for a uniform coinage. It was on the decimal system, devised by his assistant, Gouverneur Morris, and was later amended by Jefferson. The Morrises deserved more credit than Jefferson allowed them. The values attached to the coins in use were in hopeless confusion. The Spanish dollar, the best understood, was rated all the way from five shillings in Georgia to as high as thirty-two shillings sixpence in South Carolina. Morris favored the silver standard with no charge for coinage, but it was not necessary to begin minting at once except for two small copper coins which he recommended, since the primary necessity was a precise money of account, or means of expressing monetary values.

Robert Morris on numberless occasions mingled his strong personal credit with the weak public credit to assist the treasury and keep the army in the field. This was like giving a blood transfusion to an anemic patient. More than half a million dollars of his personal notes, issued for the benefit of the government, circulated like cash, since he stuck to his resolve and stretched all his means to redeem them.

The states were woefully slow and uneven in paying their assessments of 1781. Morris's whole effort was plagued by this major delinquency. He wrote:

> Nothing on my part has been omitted that I could think of to stimulate them [the states] to exertions, and I have given them every encouragement to support my arrangements, that could be derived from regularity, system and economy; but all this does not produce the effect it ought; there are in every Legislature, characters too full of local attachments and views to permit sufficient attention to the general interest.

After two years South Carolina had paid all her assessment in supplies to the army on her soil, Rhode Island had discharged only a fourth of hers, and others were farther behind. Virginia had paid a twelfth, New York a twentieth, New Hampshire a tiny fraction, and North Carolina, Delaware, and Georgia nothing at all. Some months later collections

stood, on the average, at a fouth of the assessment. Morris, having exhausted every fertile expedient, and finding a stubborn lack of response in the states, and too little support from Congress, resigned his office at the beginning of 1783, but was persuaded to remain until December, 1784, when the country was safely through the war, though not through the financial woods. He was succeeded by a new Board of Treasury. His administration had been honest, persevering, and resourceful, and, compared to the difficulties which he met, was signally successful.

Foreign Borrowing

From the outset of the Revolution we made strenuous efforts to borrow abroad and in eight years succeeded in getting, gold value, \$7,830,000 — \$6,350,000 from France, \$1,304,000 from Holland, and \$174,017 from Spain. Obstacles in the way of our financial agents in Europe were the fact that ours was a rebel government, and that Holland, particularly, was long afraid of offending Britain; our military operations showed only spasmodic and delayed successes; we practically refused to tax ourselves for our own cause, especially as proved by the failure to lay an import duty. Furthermore, European money markets were beset with many appeals from warring countries, most of them offering higher interest rates than we; and finally, loans which the separate states wanted to negotiate conflicted with those of the general government. On the other hand, advantages lay in the spite of France against England resulting from the defeat of 1763, and the hope of France that her aid to the colonies might procure for her a major share of the American trade. Spain, to a less extent, wanted to retaliate against Britain. The esteem abroad for Dr. Benjamin Franklin, our chief agent, earned by his ability and sincerity, was of weight in the balance, as was also the promised reform in our finances when Robert Morris was placed in charge in 1781.

Our agents in Europe met discouragements; such stout patriots as John Adams importuning Dutch bankers, and John Jay begging at the Court of Madrid, were often on the point of abandoning their efforts. Lesser men, such as the querulous Arthur Lee and the well-intentioned but careless Silas Deane, fell to disputing among themselves, partly because of the strain they were under, but these accusations weakened our cause in the eyes of foreigners. Committees of Congress were delinquent in fulfilling their engagements to send over American tobacco, rice, and indigo in repayment for military stores and money loans. Besides, these committees had an exasperating way of drawing on (de-

manding money from) the American agents abroad when the latter had no means of meeting the bills, and indeed were put to it to raise enough for their own living expenses. Finally Franklin had to be peremptory in calling for a stop to this practice. Congress would not believe the French King when he said he was at the end of his resources for America, which put Franklin in the unbearable position of seeming to scoff at the royal denials.

Almost a third ($1,996,000) of what we received from France was in gifts from Louis XV, or, more realistically, was drained from the French people by Louis. The first of these subsidies came in the form of military supplies from the public arsenals through the King's secret agent, Beaumarchais, who masked himself under the name of Hortalez and Company. This was before the French King was willing to show his hand as the enemy of England. The receipts from France came directly or indirectly through the public authorities, almost entirely in supplies such as munitions and uniforms rather than in cash. In addition, France spent as much more, some $6,000,000, on her military and naval operations in America. Spain promised more than she performed. Not until after the defeat of Cornwallis at Yorktown was American credit established with commercial moneylenders in Europe; then Dutch bankers, seeing our success established and expecting to profit by future trade with America, scrambled to float our loans at 5 per cent.

The specie value of foreign loans ($7,830,000) was two thirds that of loans obtained from our own citizens ($11,585,000), and amounted to $2,000,000 more than the specie value of requisitions filled (taxes collected) by the states, which was about $5,795,000. The specie cost of the war to the central government was about $80,000,000, which, with no allowance for fall in purchasing power, is less than the price of a single battleship today.

Tories' Property Confiscated

The Revolution was not only a revolt against the mother country, but was a civil war within America between those known as Loyalists or "Tories" and Patriots or "Whigs." The Tories were perhaps a million persons, or about one third of the population. They weakened resistance by refusing to fight for the colonies and, in some cases, by fighting for the King. On the other hand, they strengthened rebellion because their property was expropriated to an extent that it would not have been contributed; they were a burden upon the resources of the British armies

to which they fled; and their presence was a certain provocation to patriotism.

The Loyalists as a group became defined when the struggle of America was no longer against particular practices of Britain, but against the principle of subordination. They were people who, from connection, interest, or disposition, were satisfied with things as they were — Crown officers great and small, merchants engaged in trade with the old country, owners of large landed estates, clergymen of the Church of England, and those who were informally attached to these groups. They were the richer as against the poorer, the people of the seaboard as against the frontier, those of the larger towns as against the farmers. Their lot was an unhappy one, for they were not organized, supported, or fully trusted by the British commanders; they were despised, dispossessed, and uprooted by the Patriots; and in the end large numbers of them were exiled to begin life over again under hardships. They were unevenly distributed through the colonies; in a few places, as in Ulster County, New York, they were in such a majority that they were not afraid, collectively, to show their colors, but in most parts they were marked men. New York and Charleston had more Loyalists than other places in the beginning, and these cities, in British hands, became gathering points for more from wide areas. The real injury which they inflicted upon America was in leaving the young country, though the Patriots felt differently at the time. Just as with the "Whites" expelled from Soviet Russia and the Jews driven out of Nazi Germany, they were missed when social reconstruction became the national task, for, out of proportion to their numbers, they had education, skill in public affairs, and mobilized wealth.

The Loyalists were persecuted by intercolonial associations, by committees of safety, by mobs and by individuals while the Revolution was brewing, to which was added the proscription of legislatures later. In the earlier informal phase they were boycotted ("cut off," as a typical proclamation said, "from the benefit of commerce with, or countenance of, any friend of virtue, America, or the human race"), were coerced into signing pledges of attachment to the American cause, their feeble attempts at self-protection and retaliation were driven underground, they were tarred and feathered, hoisted on liberty poles, and their houses rifled. The Sons of Liberty were often the agents of this inquisition.

In 1777 Congress advised the states to confiscate the property of those adhering to the King, and, by one method and another, all of the states

did so. New York — though it could not reach the richest sections, the city and its environs, held by the British — thus came into some $3,600,000 worth of Tory estates. After the war British commissioners, in making compensation for Loyalist losses, recommended that $19,000,000 be paid. More than twice as much had been applied for. Only a proportion of the approved losses were paid by Parliament, but, even so, the whole amount paid in compensation and in resettlement of Loyalist exiles was $30,000,000. The great landed estates were broken up into small parcels and sold only to Patriots. This was of permanent democratic advantage, for it distributed economic opportunity.

Loyalists were legally bled in other ways. For failure to take the test oaths, for enlisting in British forces or leaving their homes to go within the British lines, they were banished, convicted of treason, attainted of treason, double- or triple-taxed. They were ruined by being compelled to receive the depreciated paper money at face value, while they were required to buy at worse than its depreciated levels. Washington approved of the confiscation of estates, as did nearly all other Patriots, but he forbade plunder of the Tories by his army, and counseled against willful and extreme persecution of them.

But the Tories did not suffer without striking back. Perhaps fifty thousand Loyalists among the Americans fought with the British forces either as regulars or as militia. At one time there were nearly six thousand Loyalist militia in New York alone, and on a particular occasion, it was believed, they mustered more men than were in Washington's Continental army. Fifteen thousand went from New York into the British regular army and navy. Loyalist troops played a preponderant or important part in the battles around Saratoga, the capture of Savannah and Charleston, and the rout of Gates at Camden. They ravaged and murdered, usually with the assistance of Indians, on the northwest frontiers, in the Wyoming, Cherry, and Mohawk Valleys. Butler and Johnson in the North, Tarleton and Ferguson in the South, were leaders of raiding bands of Loyalists, opposed by such Patriots as Greene, Sumter, Marion, and Morgan. Loyalist refugees in New York organized and executed forays into Connecticut and New Jersey.

Within the British lines — typically in New York, which became the great haven of refugees — the Loyalists lived meanly on such wealth as they could snatch and bring with them, on meager allowances from the King's stores, or took the charity of army officers. They beguiled themselves with hopes of military successes of the King which failed to materialize, were given to intramural boasting which routed no Continentals,

and at length in discouragement fell to quarreling among themselves.

Yorktown and a peace treaty were a signal to the Loyalists to leave the ports where the British armies had harbored them, before the Whigs could come in with reprisals. Three thousand left Charleston in two hundred ships, most going to the West Indies, Florida, and Halifax, but a fourth of the number to New York; seven thousand, mostly slaves of Loyalists, sailed from Savannah. The exodus from New York began, creditors crying frantic appeals to be paid ere gentlemen quit the country. Those who had lived within the British lines for a year would be transported at the King's expense. During the war thousands had gone to upper and lower Canada, and now transports took to Canada, Nova Scotia, and elsewhere a total of sixty thousand colonists, each with provisions for a year and necessary farm tools. Before the settlements succeeded and spread, some of the emigrants chose to return to the United States and encounter hostile politics rather than desperate poverty. But ill treatment of Tories continued for a full generation in spite of the wise counsel of leading Patriots that they be shown tolerance.

Business Incentives During the Revolution

The non-importation agreements directed against Britain before the Revolution, which were effective in 1765, 1769, and 1774–75, not only reduced the supply of competing manufactures, but helped to overcome the old preference for imported wares. The stimulus to domestic production, however, was intermittent, being followed each time the agreements were relaxed by eager demand for British goods. In the decade 1765 to 1775 we imported more merchandise, on annual average, than in the decade before, though probably less than we should have brought in without the boycotts. Public demonstrations, the offering of premiums for American manufactures, and so on, were not without effect, but of more importance was the compulsory reliance on household industry which the Revolution itself was to bring.

The Revolution gave a new kind of incentive to manufactures of all sorts — of the households, shops, and embryo factories. If the war were successful, American industries, freed from British restraints, had the prospect of permanent growth. Military demand quickened essential manufactures already established, such as iron, salt, powder works, and the making of rifles, extended the production of paper and glass, enlarged the supplies of cotton and wool, and encouraged commercial pro-

duction of textiles and some other articles in the homes. Of lasting influence was the increase of Western settlement. Mercantile capital, excluded from its old opportunities, was available for planting manufactures in inland locations, away from the dangerous seacoast and the enemy-occupied towns, and means of communication with these new settlements had to be contrived. These tendencies toward internal development were to become more emphatic after the War of 1812. But already in the earlier period Western demand was of special help to American manufactures because the pioneer communities required such staple and crude products as our own industry could supply.

However, there were deterrents as well. The army commissary was notably ineffectual in drawing out the resources of the country, disorder in the currency was a hindrance, enemy depredations told, some technical and supervisory skill was lost by defection of Loyalists, and labor for manufactures, scarce throughout the war, was little supplemented by the impressment of Hessian and other prisoners.

The Revolution, like all wars, furnished opportunities for private profit-making. A group of young businessmen, seizing the chances which then offered, won self-confidence and wealth which enabled them to figure in the expanding undertakings of the early Federalist period. During the war most of the enterprise continued to be of the individual sort which characterized colonial days, but an increasing number of associated ventures appeared; a number of capitals were put together for privateering, marine insurance, and for filling army contracts. The suddenness and size of demand called for business on a larger scale than had been engaged in before. There were new means of payment in Continental and state paper money and securities, English and French and Dutch cash, and foreign bills of exchange in fresh abundance.

While the mass of the people continued in their homespun ways, others indulged the expensive tastes which are "the common offspring of sudden riches." Foreign imports, from captured prizes, by way of blockade-runners and through the neutral West Indies were eagerly bought, and internal markets were lively. Businessmen responded quickly. Washington complained of the "unsatiable thirst for riches," which seemed "to have got the better of every other consideration and almost of every order of Men." He inveighed against "Speculators, various tribes of money-makers, and stock-jobbers of all denominations." The avenues for gain were in commerce, shipping, and land deals, with manufactures less important, and banking in its initial stage. Contracts for supplying the American and French forces with foodstuffs formed

the backbone of enterprise, though the construction of ships and the furnishing of masts and lumber on public account, the fitting-out of privateers, and joining in insurance against marine risks at high prevailing rates held out attractive prospects. Very different rates of exchange of paper for cash and for foreign credits were constantly appearing in the various American centers, offering chances for prompt gain by those who bought at heaviest discount and sold at lighter. This practice roused angry complaints after the war, especially in 1790, when applied to the buying-up of depreciated public securities from unsuspecting holders in poor and remote sections.

Profiteering was not halted — in fact, was hardly checked — by considerations of patriotism. The enemy were supplied more times than history records. In 1781 a ship belonging to Salem merchants fell prize to an American privateer because her cargo was going to the British Bahamas. A Frenchman complained of the people of Rhode Island being money crazy: "The inhabitants of the coast, even the best Whigs [patriots], carry to the English fleet anchored in Gardner bay provisions of all kinds, and this because they are well paid." The French forces were heavily charged by citizens of Providence for damages to property. Then, as since, businessmen carried on their private affairs while acting as agents of government, using privileged knowledge and connections to make gains besides their commissions. They were not even "dollar-a-year men," for the public paid them for their public work. Nathanael Greene, when he was quartermaster general, and Robert Morris, when he was financier, joined with others in private schemes which, however legitimate, it was thought prudent to keep secret if possible. There were charges, of course, of outright graft, and more would have been sustained if confused business records could have been made to tell the truth. Every sort of personal influence was attempted to be used with persons in high places to get public business. Tories turned patriots for profit rather than principle. American enterprisers went to England on obscure errands, just as an occasional Englishman connived to supply the American army from overseas.[1]

Boston and Baltimore were in the most fortunate positions for foreign and domestic dealings during the war, the former being evacuated by the British in 1776 and the latter hardly ever suffering an impenetrable blockade. New York and for a shorter period Philadelphia were held

[1] These and other instances are given in Robert A. East, *Business Enterprise in the American Revolutionary Era* (New York: Columbia University Press, 1938). The whole of this circumstantial account shows how lively was American profit-seeking during the war and in the first years of the new national government.

by the enemy; this did not mean that trade was shut off from them, for these ports received European goods which escaped the American privateers, and quantities were exchanged with Americans, with or without tacit official approval, for flour and meat. Upstate New York was drained of gold and silver in this illicit commerce. The British at New York were sometimes supplied by the Americans through prearranged "friendly captures" of vessels. Providence, though never itself occupied by the enemy, was thwarted in its foreign trading until the British evacuated Newport, at the mouth of Narragansett Bay, in 1778. All blockaded ports, however, managed to carry on some commerce by having goods landed at a distance.

While Boston got the business of such centers of supply as the valleys of the Hudson and Connecticut, Baltimore enjoyed a war boom in trade with Havana, where a barrel of flour worth four Spanish dollars at Baltimore could be sold for thirty-six dollars. Military goods and specie were taken in return. Foreign merchants, French and Scotch, established houses in Baltimore at this time. Alexandria on the Potomac now definitely took away the trade in Virginia wheat and flour from its old rival Dumfries. The Chesapeake and Virginia ports sent tobacco to St. Eustatius, a neutral Dutch port in the West Indies, to exchange for European (probably largely British) manufactures until it was captured by the British in 1781, when Admiral Rodney found two thousand American sailors at the place. But the illegal trade simply moved to St. Thomas, a Danish port. In addition to the commerce through the West Indies, a surprising number of American vessels went on direct voyages to the Continent of Europe, on occasion bringing back enough to glut the market for a few commodities, such as Spanish salt.

In the years between the peace and the formation of the Constitution — between 1783 and 1787 — America, as we shall see, was in a critical state politically and economically. However, as Dr. East has shown in some detail, private enterprise, and even public works of size for that day continued, for war destruction had to be repaired, capital accumulated during the conflict was available, and British, Dutch, and French merchants and investors were eager for opportunities here. In spite of Britain's Navigation Act of 1783, we had clandestine trade with her West Indies. In 1784, new shareholders entered the Bank of North America at Philadelphia, banks were organized at New York and Boston, and were projected, though unsuccessfully, at Providence, Richmond, and Charleston. Bridges were built, new roads were laid out, and stage lines started.

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Chapter 9

Early Westward Movement

WESTWARD PIONEERING was a significant feature of the Revolutionary period. But before we tell something of the story of the first over-mountain frontier, with its trails and settlements and Indian fights, we must take a glance at the importance of the frontier in American history.

The census considered that between 1880 and 1890 the frontier, as such, disappeared, since there was no longer a well-defined line of westward settlement with unoccupied land beyond it. Until this time there had always been an escape from limited opportunities in older populated districts. As the frontier moved in great strides across the continent, it had given an outlet to the individual, and its primitive conditions had favored democratic institutions. Thus, there was constantly a current in American life, a stream flowing westward, which prevented stagnation. There have been several frontiers. In the seventeenth century it was along the fall line of the rivers, where the piedmont drops into the coastal plain. Early in the eighteenth century, Germans pushed westward into the Mohawk Valley in New York, as far out as Bedford, Pennsylvania, and, together with Scotch-Irish, into western Maryland, the Shenandoah Valley of Virginia, and the up-country of the Carolinas. During the period of the Revolution, settlers crossed the first great barrier, the Alleghenies, building their cabins and stockades in Tennessee, Kentucky, and southern Ohio, Indiana, and Illinois. By the eighteen-twenties the frontier was in the Mississippi Valley. In the middle of the century, it leaped the Great Plains and the Rockies to reach California and Oregon. The last frontier was in the huge intervening space, which was developed by farming, grazing, and mining.

We are following the celebrated account of the significance of the frontier by Frederick Jackson Turner.[1] Each of these frontiers had its waves of occupants, roughly the same. The frontier across the Alleghenies, of which we shall speak in this chapter, knew first the trappers and traders; then the herdsmen with their cowpens; then the imperma-

[1] *The Frontier in American History,* New York, 1920.

nent pioneer settlers who made the first clearings but cultivated little; then the men of more capital who bought from the pioneers and expanded the farming area; and last those who built towns and cities, started manufactures, and knit the region with means of transportation. Each frontier, farther westward, has repeated what former frontiers experienced. While the outermost one was in the earliest stage of the fur-trader, those behind were completing the later stages of farmers and city-builders. In this way the giant of population, marching from the Atlantic to the Pacific, had one foot planted in a frontier which was being transformed toward civilization while the other was always lifted to be set down in a new wilderness.

The frontier, wherever it was, with its simple and equal conditions of life, not only called upon the individual and developed democracy, but made for nationalism as well. The great body of the first frontiersmen were people who owed their allegiance to America, not to England or to English colonies strung along the Atlantic coast. They were Germans, Scotch-Irish, Highlanders, or indentured servants who had finished their time. Most of them pushed westward from Pennsylvania and New York, leaving to the north the New England Puritans and to the south the aristocratic planters with their slaves. They were people on the move, needing lines of communication flung back to the eastern seaboard, needing the assistance of forts and troops to protect them against the Indians, needing grants of nationally owned lands, and so they looked, not to local or state governments, but to the national government. Westward advance compelled the construction of internal improvements — turnpikes, canals, and railroads — which paid no attention to state lines, and which increasingly received financial assistance and subsidies in the form of land grants from the federal government.

In the period of the Revolution and the Constitution the states created the federal government, but by the time of the Civil War it was the federal government which had created most of the states, laying them out in enormous squares. It was not slavery which determined the extension of the frontier, but the westward migration of free workers, setting up new commonwealths with democratic institutions which determined the limits and then the extinction of slavery. The onward rush of population and the waves of democractic demand which flowed back eastward from the frontier continually magnified the central authority, and precipitated the crucial test of states' rights *versus* national rights in the Civil War. After that trial of strength resulted in victory for the nation against the section, the frontier for a generation longer imparted

its vigor to the national growth. Millions of fresh European immigrants went into the melting pot in the American West. The frontier generally has believed in loose construction of the Constitution, in the spirit rather than the letter of the law. Its genius, physical and economic, was that of expansion; its politics were liberal.

But the frontier has often shown the defects of its virtues. Fresh, strong, self-reliant, isolated, and socially inexperienced, the new Westerners have been impatient of regulation, forgetting that what seemed for the advantage of the frontier might not appeal to the remainder of the country or be for the majority benefit. Freedom for the individual led to reckless speculation coupled with demands for paper money.

Though our frontier of western expansion has been closed, our frontier of social consolidation is open. Pioneers are now invited to the task of integrating our people and institutions, exploring and establishing a freedom no longer of forests and plains, but of security, steady production, ample consumption, and peace.

Qualities of Western Pioneers

The people who pushed over the Alleghenies into the Old Southwest in the Revolutionary period were ideally fitted for pioneering. They were largely Scotch and German. The Scotch were of two groups, the larger composed of Ulstermen ("Scotch-Irish") who had been transferred from their native heath to the north of Ireland and been driven thence to America by religious and economic persecution at the hands of later British Catholic monarchs. The smaller group of Scots were Highlanders expelled from their cots after the battle of Culloden. For nearly a century before the American Revolution the Scotch-Irish had been arriving in increasing thousands at Philadelphia and Charleston. The Highlanders came later, and principally to the South Carolina port. These hillsmen were traditionally herdsmen, and naturally sought the up-country where they found free open stretches with grass and the wild pea vine for their cattle.

The Scotch were dissenters in religion and politics, though the Highlanders felt themselves bound by unwilling oaths of allegiance to the British Crown, and in the first instance were Loyalists in America. All were Presbyterians and democrats. It has been said of the Ulster Scot that "thanks to his persecutors, he made a religion of everything he undertook and regarded his civil rights as divine rights." These people, by old and new environment and by long schooling, were serious in

mind, stern of conscience, tall and lean in stature, sinewy and tough. They had the maximum of self-respect and self-reliance, with that capacity for combined action which is the true mark of individualism. They had been cramped until their qualities had become intensified and exaggerated. Intolerance was a part of their determination, violence was a consequence of their ignorance, and resolve to hold what they had bitterly won had become the condition of their survival. They could shout and fall in cataleptic fits at religious revivals, but by contrast could shoot their long rifles with remarkable concentration upon the business in hand. They were prepared for the wilderness because they had learned to take hardship as a matter of course.

The Germans who flowed to America, and afterward were to help settle the back country in numbers second only to those of Scottish blood, were from Bavaria and Austria. Followers of Luther and Huss, they likewise had been the victims of Catholic persecution and military expulsion. Two generations before our Revolution some thousands of these "Palatines" had been given asylum in England. But because of limited opportunity in a crowded island, they were transferred to the Hudson and Mohawk Valleys of America. Those who followed them, perhaps fifteen hundred a year, came chiefly to Philadelphia. They settled westward, thankful to William Penn for fine land and liberal laws. When later they migrated south by the Cumberland and Shenandoah Valleys, they were known as "Pennsylvania Dutch," more correctly, of course, as Pennsylvania Germans. Their Protestantism had its ascetic elements, as witness the semi-monastic "cloisters" still standing at Ephrata and elsewhere in that part of Pennsylvania, but at the same time it was of a warmer and more outgoing sort than the doctrinal convictions which the Ulstermen clutched to their breasts before they began to listen to the expansive Baptists and Methodists. The Germans made their treks and settlements under their pastors, who were everything which that title implied. The chief of these preachers and colonizers was Count Zinzendorf, from whose center at Bethlehem, Pennsylvania, followers, beginning in 1753, moved through earlier outposts of their kin to a tract in the Yadkin country of North Carolina known as Wachovia; Salem (now Winston-Salem) became their little capital in the southern wilds.

The Germans, besides being first-rate farmers, had many handicrafts which made them more productive and gave them a higher standard of living than other groups on the frontier. Soon after the first quarter of the eighteenth century, Germans from Pennsylvania were beginning

their settlements along the Shenandoah, as at Winchester, Virginia. The Scotch-Irish, likewise coming down from Penn's domain, located in the lower portions of this valley, leaving their impress in its efficient economy and its political institutions.

The two streams of Scotch, the one moving northwestward from the Carolinas, and the other southwestward from Pennsylvania, met in the overhill district of North Carolina, about the Yadkin and Watauga Rivers. There they built cabins which formed loose communities having their centers in stockaded forts, and this region became a pool of people from which adventurers into Tennessee and Kentucky were soon to be drawn.

Pioneers continued to push past the King's Proclamation line of 1763 — which forebade settlement west of the headwaters of streams flowing into the Atlantic — as though it had not been drawn. Everything about the line, even its geography in that day of unmapped wilderness, was shadowy. The British policy with respect to these western lands had been uncertain. Two hundred thousand acres in what are now Kentucky and West Virginia had been promised to veterans of the Seven Years' War. After the proclamation was issued, the patents were not granted, and Lord Dunmore, governor of Virginia, provoked the home government by his insistence, and sent out surveyors in spite of rebuke. Washington was sure that the proclamation was a temporary expedient, that westward settlement was soon again to be permitted, and likewise sent out a surveyor and agent. Nor did the British govenment fail to revive and extend companies speculating in western lands.

Sir William Johnson, a private estate manager and colonizer in the valley of the Mohawk, whose acts took on a public character, made a treaty with the Six Nations (three thousand Iroquois) at Fort Stanwix (now Rome, New York) in 1768. He bought for the English the lands between the Ohio and the Tennessee Rivers. This helped to overcome the home government's reluctance to permit westward settlement, and in 1773 the Vandalia Company, composed of British and colonials — Benjamin Franklin was a member — was promised what is now West Virginia and a part of Kentucky, and only the outbreak of the Revolution prevented actual transfer of the two and a half million acres. The Wabash Company, of which Lord Dunmore was a member, made pretended purchases of western lands from Indians a decade after the Proclamation of 1763.

But proclamation or no proclamation, the colonists were not to be kept out of the country across the mountains. In that day of thin popu-

lation, few towns, nearly no newspapers, and some diversity of languages, it is probable that a large proportion of those who trespassed over the line knew nothing of the forbidding order. Besides the Scotch and Germans, many of English stock found the coastal strip not to their liking. From Maryland southward large plantations worked by Negro slaves offered no foothold to the poor and independent whites. North of Maryland the settled farms lay thick. To the west was land for the taking. Much of this land was inferior, even after being won with unconscionable toil, but, lying far from the ocean ports and navigable rivers, and broken by mountain ranges, it would not be taken over by large-scale commercial agriculture. Sometimes the pioneers went westward in groups, like little colonies, but oftener the new outposts were made by single families which thrust into the wilds.

Habitants and Indians

We shall trace in outline the occupation of the Old Southwest and Old Northwest in the period of the Revolution. The Old Southwest embraces the area bounded by the Ohio River on the north, the Alleghenies on the east, the Mississippi on the west, and has no distinct southern limit — or the present states of Kentucky, West Virginia, Tennessee, and the western parts of the Carolinas. The Old Northwest may be taken to extend from the Ohio River on the south to Lake Erie and Lake Michigan on the north, and from the Alleghenies on the east to the Mississippi on the west — covering the present states of Ohio, Indiana, Illinois, Michigan, and Wisconsin.

Recorded exploration toward the Old Southwest began as early as 1650. Most of the early adventurers were primarily fur-traders. The official expedition of Governor Spotswood of Virginia, with his "Knights of the Golden Horseshoe" (he gave his companions little horseshoes as mementoes), did not reach so far as the traders had penetrated, but did scale the Blue Ridge and descend to the banks of the Shenandoah River. This journey of exploration had a glamor which earlier trials lacked, and was given advertisement which turned men's eyes to the rich region across the mountains.

The areas to the southwest and northwest, into which Americans were now to advance, were ranged over by Indians, behind whom, in a great half-ellipse reaching from the east coast of Florida to Detroit and Canada, were forted towns held by the Spanish and British. After the Treaty of 1763 and the collapse of Pontiac's Conspiracy which followed

it, "the Floridas," embracing Florida, most of Georgia, Alabama, and Mississippi, were in English hands, having been won from Spain. She had garrisons at St. Augustine, Pensacola, Mobile, and Natchez. "Louisiana," stretching from the Mississippi to the western ocean, had been ceded by France to her ally, Spain, which dominated the creole population of the delta by means of a garrison and governor at New Orleans. The English had fallen heir to the old French towns in the Northwest. Three of these are usually spoken of together — the first two, Kaskaskia and Cahokia, lying on the east bank of the Mississippi below St. Louis, and the third, Vincennes, more than a hundred miles eastward on the Wabash. These French villages had been established near the beginning of the eighteenth century. They contained about the time of the Revolution perhaps four thousand inhabitants, half of these in Vincennes. The people, many of them half-breeds, accepted calmly their transfer to English dominion, because they retained their old customs and language, their old priests, and even, in some instances, their French commandants. The *habitants* kept on with their languid farming and their more spirited hunting and fur-trading.

The last of these French posts was Detroit, with a population of fifteen hundred to two thousand people. Detroit was an established community with nearly three hundred houses. It had been a center for the Indian fur trade, and became the chief British military stronghold, its commandant making himself responsible for the safety of the forts in the Indiana and Illinois country.

The Indians in this Old West, if we follow the same arc from south to north, were the Creeks in Georgia and Alabama, the Cherokees in the southern Alleghenies, the Choctaws a couple of hundred miles up the Mississippi from New Orleans, and the Chickasaws an equal distance above them. In the northwest, reaching around to the Iroquois of New York, were the Algonquins. These were divided into many tribes — the Miamas in what is now Indiana, the Shawnees in southern Ohio, and east of these the Delawares, who had been pushed westward by the whites. The Indians of the South were more civilized than those of the North. Their towns were larger and less frequently moved, for they depended as much on agriculture as on hunting and raiding. They had large herds, rudely fenced fields, and sometimes Negro slaves. They adopted white men, and regularly the half-breed children of Indian mothers, into their tribes. This is not to say that the southern and southwestern Indians who lay across the paths of the white pioneers made themselves comfortable companions of the incoming settlers. The tribes

numbered together perhaps seventy thousand people, about one fifth of whom were warriors ready enough to spring into the fresh clearing and scalp the occupants of the new cabin or carry them off to be tortured in what were called the "bloody towns." These painted fighters laid siege to border stockades, and did not quail before the best troops sent against them. But when we refer to their cunning and cruelty, we must remember that we get our accounts from their white enemies who were intruders. Many of the white borderers showed no more compassion and tolerance than did the redskins. The whites in those remote and dangerous places came to dress and look and live in ways not so different from those of the Indians. We must not think of the one as holding the Testament, the other the tomahawk. If there were "bad Indians," there were also renegade whites who had fled to these settlements to escape punishment for their crimes.

The fifty thousand northern Indians were more restless and warlike than those to the south. They went in more for chasing game than for raising squash. They moved their towns of conical wigwams often. When there were no whites at the end of their warpath, they reduced their own numbers by fierce fights among the tribes. They opposed the white troops in small bands, never more than a thousand warriors, but such a party of red riflemen hidden behind tree-trunks and protected by the dense underbrush seemed like thrice the number. They were urged on and supported by the British, and did not stop fighting for a dozen years after peace was made.

Boone on the "Dark and Bloody Ground"

Kentucky (from the Iroquois word Ken-ta-ke, meaning, probably, "among the meadows"), before the white settlers pushed into it was a no-man's land. Indians to the north and south of it hunted and fought each other there, but did not build their villages in its open woods or its spreading grasslands. They regularly traversed its traces or trails to kill the buffalo which came in huge herds to its "licks" — places where salt springs had overflowed and impregnated the ground. Kentucky was crossed in the east by the Warriors' Path running from Ohio to Tennessee, a path which deserved its name. Some among the Cherokee Indians, when later they sold to the whites what was not theirs to dispose of, were frank enough to warn that the purchasers were buying only trouble, for Kentucky was a "dark and bloody ground."

Daniel Boone was not the first white man to hunt and explore in

Kentucky, nor was he the first to plant a settlement there. But he was more than merely the type of early adventurer in this beautiful region: he was pathfinder, fighter, a surveyor of sorts, and hunter extraordinary. His energy and skill were matched by his self-control and kindness. More than others, he knew that he was opening a new empire to the coastal colonies.

Boone was born in 1735 near Reading, Pennsylvania, of English and Welsh parents, at that time Quakers. He was adept with his rifle by the time he was sixteen, when the family moved southwestward through the Shenandoah Valley to the Yadkin River, North Carolina, a hundred miles northeast of what is now Asheville. When he was twenty-one, he went as a wagoner with Braddock, and in the trials and defeat which followed became fast friends with another backwoodsman, John Findlay. On his return to the Yadkin, Boone married Rebecca Bryan, seventeen, of a family which likewise had come down from Pennsylvania. In the following decade (1756–67) we find his movements as restless as they were to be for the remainder of his eventful life. He farmed, hunted, wagoned, fought against French and Indians in the little frontier stockades, and explored the northern part of Florida.

In 1765, his old friend Findlay, of Braddock's expedition, came to the Yadkin peddling pins and needles and linen. Boone kept Findlay in his cabin through the winter, persuading him that the hunter's pouch was better than the peddler's pack, and that they should set out in the spring to find the Cumberland Gap into Kentucky of which Findlay had heard from brother traders. They set out with a small party in the spring of 1769. Boone followed trails which were to become famous — along the Kentucky and Licking Rivers, and down the Ohio to the Falls (Louisville). This was country after his own heart, a hunter's paradise. Twice stores of furs and skins which he had accumulated were taken from him by Indians.

Boone was not discouraged, however, from returning to Kentucky. About the time he got back to the Yadkin, in North Carolina, in the spring of 1771, the accumulating dissent of up-countrymen against bad government, unjust taxes, and insecurity in their land titles broke forth in a regular battle with the governor's forces on Alamance Creek. The conditions which made the "Regulators" (as the border settlers were called) protest were doubtless responsible for Daniel Boone's resolve to take his family and some of his neighbors to settle in his delectable land of Kentucky.

After two years, in the autumn of 1773, all was in readiness. The

wagons had to be abandoned where the so-called road became a mere trail over which only pack-horses could move. Before the Cumberland Gap (extreme southwest Virginia) was reached, Shawnee Indians murdered a few of the party who were separated from the rest, including James Boone, the son who had been from boyhood the companion of his father's hunting expeditions. It was fortunate that Daniel Boone was dissuaded from his resolve to go on into Kentucky, for hardly had the little band returned to the settlements than the whole border braced itself against threatened Indian attack. By the summer of 1774, traders were reporting that tribes to the north and south wanted for their peltries only rifles, ammunition, knives. The brutal murder of some Mingo Indians by white traders below Pittsburgh led to encounters known as "Cresap's War." Among the whites were leaders who were afterward to become famous defenders of the frontier, such as Isaac Shelby and George Rogers Clark. Finally the Indians sued for peace, yielding the whole country south of the Ohio.

Ambitious Schemes of Transylvania Company in Kentucky

James Harrod and his fourscore followers who had come in by the northern route and down the Ohio, could now return to the stockade they had begun near the Kentucky River. A hundred or more others were selecting scattered cabin sites and planting corn. Boone in the early part of 1775 returned over the mountains, this time as the deerskin diplomat for Judge Richard Henderson, of North Carolina. Henderson, spurred by Boone, wanted the Cherokees called to a treaty ground where they could sell him most of Kentucky and part of Tennessee in order that his ambitious Transylvania Company might settle it. The rights of the southern tribes were bought for ten thousand pounds in goods. At the "talks" at the Sycamore Shoals on the Watauga River (now Elizabethton, Tennessee), we meet not only Henderson, but two borderers destined to distinction — James Robertson, afterward founder of Nashborough (Nashville), and John Sevier, later the first governor of Tennessee. Among the Indians protesting against the sale of their hunting lands was Chief Dragging Canoe, long to remain a terror to the border.[1]

[1] The Watauga settlement, where the treaty between the Cherokees and Henderson's Transylvania Company was made, was a tiny frontier democracy, with a constitution ("Articles of the Watauga Association") providing for manhood suffrage and religious freedom. Robertson, a young Ulster Scot from the eastern part of North Carolina, and Sevier, of Huguenot parentage and from the Shenandoah Valley of Virginia, had brought their families

Like Patrick Henry, Judge Richard Henderson was born in Hanover County, Virginia, whence the family moved to North Carolina, the father becoming county sheriff. Richard learned some forms of law, and doubtless some devices of dealing with his fellow men, by serving as assistant to his father. He practiced law with success and was made a judge of the Superior Court. Associated with him in the purchase of the Transylvania lands — twenty million acres between the Kentucky and Cumberland Rivers — were seven prominent North Carolinians, some of whom went out with him. Boone, engaged to mark, or cut, a path into the purchase and to select a place for a settlement, set out in March, 1775, with thirty woodsmen, or "guns" as they were called. Boone pushed on to the Kentucky River, where he made a station and called it Boonesborough.

A month after starting on Boone's trace, the party of settlers under Henderson "Arrived at Fort Boone, on the Mouth of Oter Creek Cantuckey River — where we were saluted by a running fire of about 25 Guns. . . ."[1] While Henderson's party was on the road, first blood of the Revolution was drawn in faraway Massachusetts. The Americans were breaking bonds imposed by England — in east and west at once. Though the Kentuckians did not know of the fight at Lexington until long afterward, their sentiments are shown by the fact that a party of hunters named their camping place "Lexington."

Henderson, in violation of the spirit of the times, planned a proprietary colony, in which men of the wilderness — above all others individualists — would remain to a degree under the economic and political dominance of the promoters. Under a great elm at the stockade of Boonesborough he called the first "legislature" of Kentucky, seventeen representatives of his own settlement and of three other "forts" that had sprung up — Harrodsburg, Logan's Station, and Boiling Spring. Beneath the democratic forms of the constitution which Henderson read

to Watauga soon after 1770. They were leaders in the company of riflemen who, eager to do their part in the Revolution, saved the Watauga settlement, thus protected Boone's road into Kentucky, and preserved that country for American occupation.

[1] One who accompanied Henderson has left us more sidelights on the trip than we get from the leader. William Calk started from Virginia; with him, among others, there was Abraham Hanks, the maternal grandfather of Lincoln. Calk wrote: "fryday 24th — we start early & turn out of the wagon Road to go across the mountains to go by Danil Smiths. . . . Come to a turabel mountain that tired us all almost to death to git over it & we lodge this night on the Lawrel fork of holston under agrait mountain & Roast a fine fat turkey for our suppers & eat it without aney Bread." And again: "April Satrd first — this morning there is ice at our camp half inch thick we start early & travel this Day along a verey Bad hilley way across one creek whear the horses almost got mired some fell in & all wet their loads we cross Clinch River & travell till late in the Night & camp on Cove creek having two men with us that wair pilates."

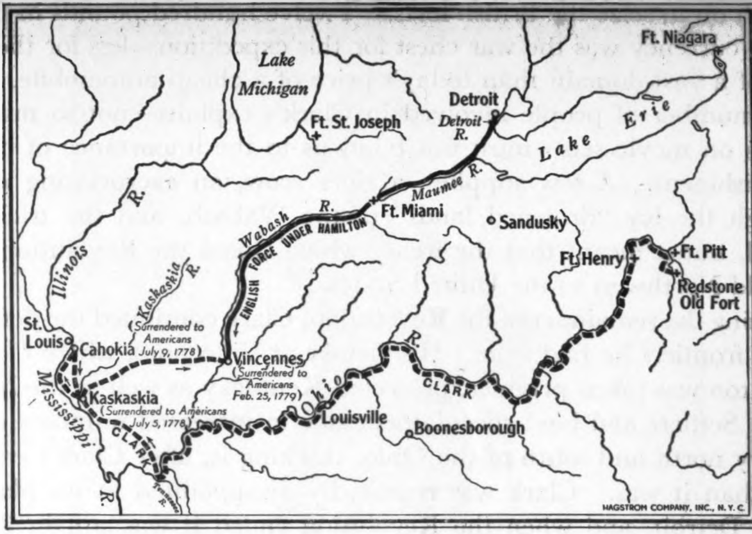
were terms of land purchase against which the frontiersmen murmured. Pioneers who were winning the wilderness refused to pay a purchase price for land, let alone a quitrent or annual sum to a company of proprietors. They had already paid dearly in pulling up roots in their old homes across the mountains, in the long and dangerous journey to the new country, in clearing and planting and defending their fields. They were on the frontier to take and hold for themselves clear of obligation to any man. "Cabin claims" — the rights following building of a log house and planting of corn — were considered good. In six months Henderson added to the growing revolt by doubling the price of land and charging for surveys. In 1778, Virginia disallowed Henderson's title, while confirming the actual settlers in their rights.

Henderson resolved to plant a new colony on terms more generous to the settlers. Early in 1779 he sent James Robertson to explore the country and select a site. On the Cumberland River a stockaded fort (Nashville) was built, which has recently been reproduced and is in strange contrast to the classic capitol of Tennessee which stands high above it. This station was like Boonesborough and the others constructed by the pioneers. A space a hundred yards by fifty yards was enclosed by cabins facing inward, the intervals between cabins being filled with hewn timbers stood upright. At each corner was a two-story blockhouse. Loopholes for rifles were cut in the outer cabin walls and in the stockade.

"Hair-Buyer" Hamilton and Wilderness Stockades

It was long before the terms of a treaty between England and France were carried out on the faraway western frontier of America. Not until the autumn of 1765 were the fortified French settlements on the Mississippi and the Wabash taken over by British garrisons. In 1774, the Quebec Act confirmed the inhabitants in the uses of French law and the Catholic religion which their new commanders, in practice, had hardly disturbed. At Kaskaskia, Cahokia, Vincennes, and the rest, the village priest in his black gown was second only to the officer in his red coat.

Detroit commanded for the British, with difficulty, the region south of the Great Lakes and between the Ohio and Mississippi, the Old Northwest. Lieutenant-Governor Henry Hamilton, a thin-faced, piercing-eyed man of cruelty and ingenuity, took charge at Detroit in 1775, and soon echoed the war in the East by sending his Indian allies against



THE WAR IN THE WEST

the white settlers in the new West. The Earl of Suffolk had written that "God and nature hath put into our hands the scalping-knife and tomahawk, to torture them [the colonials] into unconditional submission." Hamilton employed these weapons with such glee that he was known as the "Hair-Buyer." Women and children of the clearings were victims equally with men. The isolated cabins were in constant peril. Hamilton wanted to clear the country west of the mountains of all Americans. Boone, Clark, and the other leaders were kept busy in 1777 defending the Kentucky settlements. When Indian raids were known in advance, the borderers would collect in the stockades with their cattle. Often there were only a score of riflemen to take turns at the portholes during a siege of weeks. At the age of twelve every boy had his rifle and his post to defend.

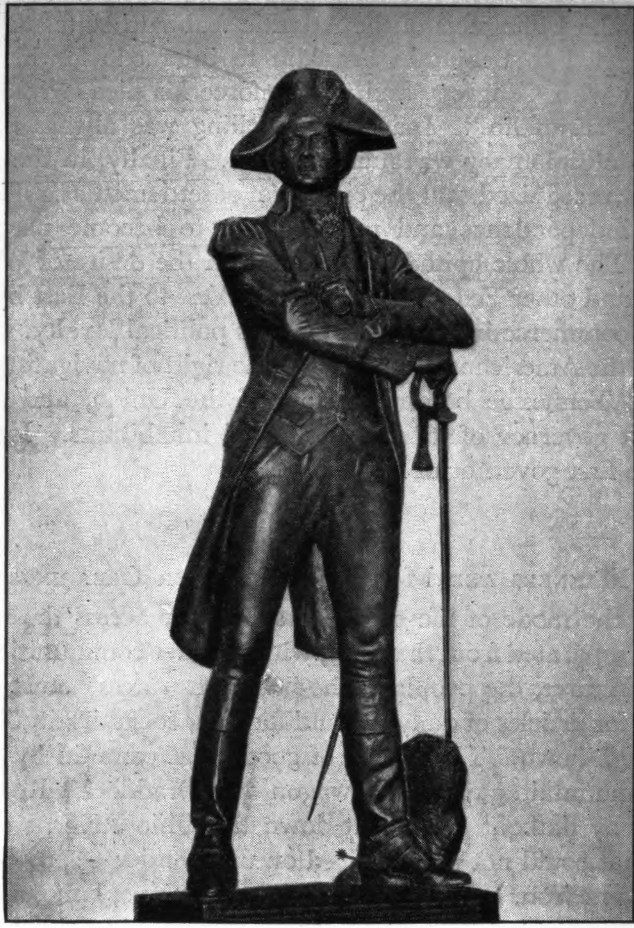
George Rogers Clark, at Harrodsburg, finally found his patience exhausted by this petty but perilous warfare. A bold planner, he determined to free the whole western country from Indian attacks and open it for peaceable American settlement by routing the British from their posts. Clark made the long journey back to the Virginia capital of Williamsburg, where he found Governor Patrick Henry the more in mind for western conquest because of the American victory at Saratoga. In January, 1778, Clark was commissioned to raise three hundred and fifty men for militia duty in Kentucky (this for publication), and, secretly,

to push on to seize the British forts. Twelve hundred pounds in Continental currency was the war chest for this expedition—less for the winning of a vast domain than today's price of a cheap automobile. The small number of people involved in Clark's exploits—not so many as armies on movie sets—must not blind us to the importance of his accomplishment. A few supplies, a river scow, an excruciating march through the icy "drowned lands" of the Wabash, and the trick was turned, but it meant that the treaty which closed the Revolution gave the Old Northwest to the United States.

During the remainder of the Revolution, Clark continued the defender of the frontiers he had won. His victory at Vincennes, where General Hamilton was taken prisoner, protected Kentucky as well as the Northwest. Settlers and land speculators came in increased numbers to the country north and south of the Ohio, thinking it, after Clark's exploit, safer than it was. Clark was repeatedly disappointed in his plans to attack Detroit, and when the Revolution ended it was still in British hands. The occupation of the West by immigrants began before its military conquest was completed and before adequate civil institutions were set up. Land surveys were haphazardly made by ignorant men, were imperfectly marked and loosely recorded. Consequently claims overlapped, or could be only imperfectly substantiated. Actual settlers often suffered from the greed of speculators.

The back country also bore a part in the Revolutionary War east of the mountains. The victory of King's Mountain, North Carolina, October 7, 1780, was the work of patriot pioneers, and may be considered —if we leave aside Clark's achievements on the distant Mississippi and Wabash—the first national act of the West. After taking Charleston and Augusta, Cornwallis sent Major Patrick Ferguson to rally the Tories among the up-country men to insure the main army a safe march northward. Ferguson was a Highlander like those he drew to his standard. His raids were cruel. Sevier and Shelby mustered the settlers from the valleys of the Holston and Clinch, and determined to go over the mountains after Ferguson before he could cross to them. Their success helped to hurry Cornwallis northward to his surrender at Yorktown.

Proposed independence for Westerners took tangible form in eastern Tennessee in 1784. North Carolina had ceded the region to the United States, but Congress had not accepted it. Caught thus with no government and threatened with new Cherokee attacks, delegates from the Watauga region formed "The State of Frankland, or Land of the Free," with John Sevier as governor at a yearly salary of two hundred mink



Harris and Ewing

JOHN SEVIER

skins. In the peace negotiations following the Revolution, the American commissioners, rightly suspicious that France and Spain were working against our western claims, made peace with England independently, so that we got the whole area east of the Mississippi, south of the Great Lakes, and north of "the Floridas." But the French and Spanish were not ready to quit their intrigue, and set the Creeks to ravaging the settlements, while the Spanish governor at New Orleans and his agents held out blandishments to the western Americans to accept Spanish protection and sovereignty. Spain, as an additional prompter, had closed New Orleans to western commerce, and the western communities were

angered by the willingness of the Atlantic seaboard states to have it so. Sevier appealed to Benjamin Franklin to intercede for his mountain government with Congress, and, to reinforce his plea, wrote the name of his state "Franklin." Inaccurate spelling was always pardonable, and accurate diplomacy was much needed. Finally, in the autumn of 1788, Sevier recognized that the collection of settlements could not maintain their independence and must submit to become part of North Carolina. The whole episode sheds light on the desire of Washington, Hamilton, and other Federalists to tie the West to the East by transportation and commerce in order to insure its political loyalty.

In 1796, the Americans were granted the right of navigating the lower Mississippi, Tennessee became a state of the Union, and Sevier was elected first governor of its sixty thousand inhabitants. Isaac Shelby became the first governor of Kentucky.

Manners and Morals in Frontier Clearings

What of the mode of life on the first frontier across the mountains? Effectually separated from the coast, with its older communities, imports, and manufactures, the people of the "western waters" must depend on themselves for articles of daily use and for their social institutions. Thus all was rough-hewn. The trickle of goods that came in by pack-horse across the mountain gaps, or by wagon over Braddock's Road to Pittsburgh and by flatboat or dugout down the Ohio River, was confined to things that could not be produced on the frontier — powder, rifles, a few tools, some iron, lead for bullets. The rifle, axe, knife, and mattock procured most of what the first frontiersmen had. The rifle had a heavy barrel of soft iron three and a half to four feet long, of such small bore that forty to seventy bullets were required to make a pound. It needed only a small charge of powder. With a rest to steady the aim, it was an accurate weapon.[1]

The light axe was used with equal skill. To this day the same wooded mountain regions contain many virtuosos in its handling. Most frontier cabins were made entirely with the axe, which cut and notched the logs, split the large shingles or "shakes," rived and smoothed the "puncheons" for floor, door, shutters, table-tops, and shelves. If the settler had an

[1] Earlier than one would think, rifles were manufactured on the frontier. Thus, one belonging to Boone, to which Theodore Roosevelt refers, was made at Louisville, Kentucky, by M. Humble. But most came from across the mountains, such as the famous ones made by Deckhard at Lancaster, Pennsylvania.

auger — it was a big one with wooden crosspiece — he could fasten puncheons and rafters with pegs. In this method of building, the trans-Allegheny frontier was only repeating what the earlier frontier east of the mountains had known.

Cabins were often built in one day by gatherings of neighbors. Dimensions were limited by lengths of single logs, and were usually sixteen to eighteen feet one way, and twelve to fourteen the other. The roof covering, shakes or bark, was held on by poles. The chimney was sometimes of stones laid in clay, but was oftener made of small billets of wood, clay-plastered. Such "stick and dirt" chimneys are still to be seen in cabins in the mountains. The furniture of the cabin consisted of essentials only — an iron kettle, a few pewter utensils, but more fashioned of wood or gourds, a hollowed section of hickory log for pounding corn to make hominy, stools (or sometimes rough chairs covered with skins), a bed-frame of poles with a tick filled with corn-shucks, pine needles, or moss; there was a spinning wheel and often a narrow loom.[1] Much of the clothing of the men was of deerskin or buffalo hair, while women and children wore linsey. Moccasins were worn where people did not go barefoot.

The frontiersmen might be only briefly stalwart and resistant. Thus, one who knew the backwoods wrote, "When this home-building and land-clearing is accomplished, a faithful picture would reveal . . . a host of prematurely broke-down men and women, besides an undue proportion resting peacefully in country graveyards." Sickness and accident were among the worst trials and terrors of the frontier, with no medicines but decoctions of herbs, no antiseptics, and only such doctoring as was dangerous even for horses. Remarkable cases of recovery are noted, even from scalping, but in vastly more instances ills, which would have been trivial if treated in time, resulted in crippling or death.

After trees were cut in a new clearing, neighbors would be summoned to a log-rolling. Some brought chains, horses, and oxen. The logs, heaped in piles, were fired, and continued burning for days. Some areas did not need this laborious clearing, but were open, such as the canebrakes and grasslands of Kentucky. Other open places were the "old fields" of the Indians, but these, as the name suggests, were worn out for the time being and hardly worth cultivating. As the buffalo, deer,

[1] The frontier village of New Salem, Illinois, where young Abraham Lincoln kept store, after having disappeared, has been reconstructed by the state, each log house and its furnishings being as nearly like the originals as careful research could accomplish. It represents a later period than we are here speaking of, but revives for the visitor the handiwork of wilderness settlers.

bear, wild turkey, and other game were cleared along with the forests, Indian corn and pork became the staple foods, supplemented with beans, pumpkins, squash, and "greens" from a truck patch near the cabin. Rum brought in by pack-horse or flatboat was a luxury, but native raw corn whiskey was universally drunk.

The more restrained religious sects — Presbyterian, Lutheran, Reformed Dutch, and Catholic — to which the settlers originally belonged soon after the Revolution lost ground to the demonstrative (not to say exhibitionist) Baptist and Methodist exhorters. The preachers of these faiths were not, like their predecessors, men of education, capable of teaching the three R's as well as holding forth on Sunday. They made a virtue of their ignorance, and their backwoods hearers were willing to believe that their goodness was in inverse ratio to their learning. What went on at religious revivals is too easily witnessed today to need reminiscent description. The narrowness and anxiety of life found release in shouting, testifying, "jerking" at stakes driven into the ground for the convenience of the demonstrators, and falling in fits. There was a democracy and a dogmatism in the more emotional religious sects which accorded well with the character of the frontier people. They put stress on the importance of the individual, and strove for the salvation of the individual's soul.

Where land was the cheapest of all things and yielded well with slight cultivation, and where the people who came to take it were looking for elbow room in their escape from oppression, it was inevitable that population should be scattered. The settlers did not live in the stockades except in times of border warfare, but in their widely separated clearings. The New England town, with the homes and the church grouped about a common and with relatively small fields, was not the form which settlement took in the western wilderness any more than in the planting areas of the Old South. Consequently, the unit of government became the county rather than the town, and thereby hangs a tale of administrative inefficiency.

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Chapter 10

Failures of Confederation

THE CAREER OF THE UNITED STATES, economic and political, has been the story of progress toward union. One set of differences after another threatening separation has been overcome. The most conspicuous instances were: first, the disaffection of the West, following the Revolution, because it could not get support from the East for its demand to navigate the lower Mississippi; next, the Hartford Convention of 1814, which was on the verge of taking New England states out of the Union because of local unpopularity of the second war with Britain; then, the Nullification Convention of South Carolina in 1832, where the occasion was opposition to the protective tariff; and finally, secession and the Civil War.

We shall see that political differences have resulted from economic differences and have been dissipated as economic distinctions were weakened or assimilated. The period which we are now about to discuss — that between the close of the Revolution and the adoption of the Constitution — showed political and economic differences rampant. They acted upon each other with peculiar virulence, so that it was hard to know at certain points which was taking the upper hand. Between the Treaty of Paris (1783) and the approval of the Constitution (1788), disruptive forces formed a vicious circle, every distinction in habit and in thought lending fresh impetus to confusion. In this troubled time the weak net of union seemed ready to be torn apart by the struggling, suspicious states. The emotional let-down after the Revolution had its counterpart in economic depression, which made dissension all the angrier.

Perhaps the fundamental cause of squabbles between the states, or, for that matter, within several states, was lack of communication. The territory of the Union was at this time of an unfortunate shape, long and thin. The barrier of the Alleghenies was being surmounted by emigration, but very little by commerce. The extremes of the states strung out along the seacoast were far apart in miles and as far apart in

climate and pursuits. Roads were rough, winding, with steep grades, and at some seasons full of mud. Heavy wagons could rarely make more than local hauls, while the few stage-coaches in a fifteen-hour day could go little over forty miles. There were seldom bridges over small streams and never over large ones; vehicles, travelers, and droves of cattle had to use fords or ferries. More than a week was needed for the stage journey from Boston to New York. Mails were slow, few, and expensive. Travel by ship, coastwise and in the rivers, was cheaper and more comfortable than by land, but not faster. Districts were largely self-sufficient. Whole families lived and died without going outside their own counties. So local differences of every sort were perpetuated, and were not reconciled by exchanges which would have brought mutual benefit and softened antagonisms.

We were an agricultural people. Power machinery, which did so much in America a generation later to build population centers and to standardize factory goods, was almost unknown. Local peculiarities have faded out as our interdependence has increased. Turnpikes, then canals, steamboats, railroads, telegraph and telephone, automobile, airplane, and radio, large-scale production and industrial integration, have been prime movers, with mails, newspapers, and talking pictures, in knitting us economically, culturally, and politically into one nation. We shall see how the states diminish in importance as more and more economic concerns assume an interstate character and call for national regulation. The latest depression and that of a hundred and fifty years ago, of which we shall speak, both brought the federal government forward to the rescue. But the idea was strange in the period of the Confederation; the ills which beset the country were not then recognized as national in character, and there was consequently more vigorous opposition to enlargement of the central power.

Much of the futile and weakening dissension in the "critical period of American history" was invited by defects of government under the Articles of Confederation. The Continental Congress, dating from 1774, was an informal body met for emergency purposes. Some weeks before the Declaration of Independence was issued, a committee had been appointed "to prepare and digest the form of a confederation to be entered into between these colonies," but it was more than a year before the Articles were submitted, more than two years before the bulk of the states ratified them in 1778, and the last, Maryland, did not come into the "firm league of friendship" until the war was almost over, in March, 1781. Congress, with the Articles serving as a guide even before their

unanimous adoption, lacked essential taxing and military powers. But while the war was going on, authority of Congress, though often unheeded, was better accepted than after victory was achieved. The common danger had been a cement between the states, but now that the peril was past they would allow no latitude to Congress.

A Rope of Sand

The Articles had been conceived in fear of any government external to the individual colony or state. They thus made Congress not so much a legislature as a debating society. The second article declared, "Each State retains its sovereignty, freedom and independence, and every power, jurisdiction and right, which is not by this confederation expressly delegated to the United States. . . ." Action was by states. Each had one vote regardless of population or wealth, each paid its own delegates, and the assent of nine states was necessary to transact all but the most trivial business. Congress acted upon states, not upon individual citizens; the state stood between the citizen and the central government; and the states, boasting their separate sovereignties, could not be coerced by Congress. Congress must *ask* for taxes and *ask* for troops, with diminishing likelihood of getting either. Congress could not control foreign commerce or that between the states, for the states imposed their own import and export duties at will, and often with a design to injure each other. Congress could levy war, but not support it. Congress could make peace, but not reap its benefits in concord at home or in national commitments to foreign governments in the form of trade treaties, for the states were free to depart from any pledge given in their name. We do not wonder that Congress lost respect in the eyes of the country and even of its own members. It dwindled so that finally hardly more than a fourth of the ninety members, and sometimes only eight or ten, bothered to meet. Ratification of the treaty of peace was delayed for lack of a quorum in Congress. Only twenty members were present to receive the resignation of Washington as commander-in-chief. Congress had no permanent seat, but moved from one meeting-place to another. After the war most of the superior members were drawn off to the more attractive fields of foreign diplomacy or service in their state governments. States failed sometimes to pay their delegates in Congress. Haym Salomon, the patriotic Philadelphia broker, advanced large sums to such men as Madison, Randolph, and Wilson without interest to enable them to do their legislative work.

There was something approaching mutiny in the army because Congress had nothing with which to pay the troops. Important officers talked of using the army to coerce the states, and there ensued a popular suspicion of a standing military which continued for years. A few months after the surrender of Cornwallis at Yorktown, when part of the army had been already discharged, mutinous and drunken Pennsylvania soldiers surrounded Congress sitting in Independence Hall and demanded their overdue pay. The state government refused to call out militia to protect Congress, so the members scampered to safety in the buildings of the college at Princeton.

Congress was unable to carry out the few promises made by America in a favorable treaty of peace. These concerned the collection of private debts owed to British subjects and the restitution of property taken from Tories. As to the first, the national government engaged to pass no law standing in the way of recovery and to permit no state to pass such a law. As to the second, the central government agreed that it would "earnestly recommend to the legislatures of the respective States" that these should reimburse Loyalists whose properties had been seized. Congress could not make the states repeal their laws obstructing the payment of debts to British merchants, nor could it get them to restore estates and stop further persecution of Loyalists.

For their neglect to pay what was owing to British subjects, states offered the excuse that the Tories and the British fleets had carried off thousands of slaves. The reply of Britain was a refusal to surrender the western military posts, such as Detroit, Sandusky, and Niagara, until the Loyalists and other creditors were satisfied. This meant that our military victory remained incomplete, our expansion to the West was left in danger of Indian raids encouraged by the British commanders, and that we lost a fur trade worth more than a million dollars a year.

Our Overtures for Commercial Treaties Spurned

When the Revolution was won, we needed capital, credits, and commercial allies abroad as much as we had required military help during the struggle. We had made a treaty for these ends with Holland in 1782. It had been taken for granted that we should be able to make advantageous trade treaties with France and Spain, which had been our allies, but both of these laughed at our commercial proposals. We had had a rift with France over the peace with England, which made her the readier to question the sincerity of our central government. She met

us with the charge that Congress could not pledge the country to any commercial arrangements which the states, by laying their separate duties, could not overturn. In 1784, we appointed John Adams, Franklin, and Jefferson as commissioners to negotiate commercial treaties, but of fifteen governments to which they made proposals, only Prussia, in 1786, responded, and even Prussia only in a limited way. Others chided that we would resolve ourselves from one government into thirteen when it suited us.

Immediately peace was concluded, Pitt, who was one of the earliest and most ardent disciples of Adam Smith, urged that Parliament sanction absolutely free trade with the United States, but most took the view that, as we had refused to abide by the Navigation Acts, we should now feel their weight. And feel it we did. Trade with the British West Indies had been a principal source of the little hard money we had. Now an Order in Council confined trade between these islands and the United States to ships built and owned in Britain and navigated by Britishers. In the direct trade with Britain, American ships might carry only products of the states of which the shipowners were citizens. John Adams threatened retaliatory duties against Britain, but his hearers knew that Congress had no authority to impose them. Abortive moves, it is true, were made in this direction. Massachusetts wanted the states to enter into a new non-importation agreement, and her legislature proposed a convention to strengthen the Articles of Confederation. In 1785, merchants of Philadelphia regretted that Congress did not have "a full and entire power over the commerce of the United States," and begged for an amendment to permit this. Maryland proposed in Congress a uniform navigation act, but more southerly states, fearful of northern monopoly in carrying their exports, killed the idea. Ten of the states in the same year empowered Congress to regulate commerce, but they attached stipulations so many and so various as to make the permission useless.

The special reason for these attempts at united policy was the confusion and economic injury caused by the action of separate states. Import duties were not imposed by the states during the war, and at its close were at first eschewed, since it was to secure commercial freedom that we revolted from the mother country. There was brisk demand in America for imported goods, mostly British, in the two or three years immediately following the war, and British and domestic merchants were eager to supply the buyers. We were tired of doing without; we were glad to get fine goods again in place of the crude American manu-

factures that had sprung up during the conflict. The money brought to this country by the British and French armies was plentiful and prices were good. If cash was not available, credit was easy. The result of this brief burgeoning was panic and depression in 1785. Coin had left the country, the general government had no authority to issue money, the paper currency of the states was of more than doubtful value, markets were glutted, prices (in hard money) fell, and merchants were ruined.

So from crying up commercial liberty we came to apply commercial restraints. Since the states, heavily in debt and under the necessity of organizing their governments, needed income, what was more natural, when depression prevailed, than to levy import duties? These were at first for revenue and tended to remain so in the southern commonwealths which had little manufacturing industry, but in the northern states the duties were soon increased for the purpose of protecting home production. Had not the depression been due to excessive foreign imports? The Act of Massachusetts of 1785 repented of the previous preference for free trade and recited in the preamble that "the welfare and happiness of all States, and more especially such as are Republican," required them "to encourage agriculture, the improvement of raw materials and manufactures, a spirit of industry, frugality and economy," and went on to impose protecting duties and to prohibit any importation of nearly sixty articles. The Pennsylvania Act of the same year, which became the model for the first national tariff, was even more specific in protective intent, declaring that "although the fabrics and manufactures of Europe, and other foreign parts, imported into this country in times of peace, may be afforded at cheaper rates than they can be made here, yet good policy and a regard to the well-being of divers useful and industrious citizens, who are employed in the making of like goods, in this State, demand of us that moderate duties be laid on certain fabrics and manufactures imported, which do most interfere with, and which (if no relief be given) will undermine and destroy the useful manufactures of the like kind in this country."

The tariff laws discriminated against foreign shipping, especially British, by making the duties lower when the goods were brought in ships belonging to citizens of the state, and by placing lower or no tonnage duties for lighthouses, port administration, and so forth, on home vessels. The special reason for discriminating against the shipping of Great Britain, aside from the residue of war feeling, was the wish to retaliate for the closing of the West Indies to American vessels. If Congress was

impotent, the states were aroused. New York doubled the duty on goods imported in British ships. Massachusetts, though she could not induce more states to go along with her, could at least join with New Hampshire in laying fourfold duties against British imports, and forbidding British ships to load in their harbors. Rhode Island likewise practically prohibited British commerce.

Now came a disastrous result of the varying state tariffs and port duties. Some states saw and took the chance to benefit by the sternness of their neighbors. Other New England states having discriminated so heavily against British shipping, Connecticut invited it by opening her ports wide. A further means of getting this trade for herself was the imposition of a tariff against goods coming into Connecticut from Massachusetts. This example of erecting barriers to trade between states was gleefully followed elsewhere. New York was under the domination of Governor George Clinton, whose egotism took the form of aggrandizement for his state. It was conceived that New York City would be richer if Connecticut and New Jersey produce were discouraged from entering it. Duties therefore had to be paid by market boats coming down the Sound or across the Hudson as though they had been transatlantic freighters. Both Connecticut and New Jersey retaliated. Instances could be multiplied. The restrictions on internal commerce, growing from action of separate states, played a large part in producing the new Constitution, which gave exclusive power over interstate commerce to the federal government.

Suspicion between states also showed itself in disputes over territory. Connecticut and Pennsylvania quarreled over the Wyoming Valley region, and New York, Vermont, New Hampshire, and Massachusetts over the Green Mountain area. Troops were mustered to "protect" frontiers. Europe's respect for us and willingness to deal with us as a nation were diminished by these episodes, which seemed to confirm the guess that our loose and discordant union would soon break up.

The contempt with which we were so generally treated abroad was topped by the Barbary States on the north coast of Africa, whose pirate fleets preyed upon our commerce in the Mediterranean and elsewhere with impunity. We made a treaty with the Emperor of Morocco, but were unsuccessful with the rulers of Tripoli, Tunis, and Algiers. American ships were seized and their crews enslaved or thrown into the worst prisons on earth. The important shipping countries of Europe forbore to wipe out the pirates, but instead bought immunity, partly to discourage weaker states such as ourselves. At this time we could not pay bribes and we could not build a navy to defend our commerce.

Depression and Paper Money

The financial troubles of central and state governments resulted in collapse in the worst of the depression of 1786. The congressional finance committee soon had only the duty of burying the corpse of national credit. The small, variegated stock of specie had been drained off to pay for the large imports when peace was restored. Thus, the English, French, Spanish, and German coins (we had no national coinage of our own) fled the country — johannes, doubloon, moidore, pistole, guinea, carolin, ducat, chequin, bits and half-bits, pistareens, picayunes, and fips. The Spanish milled dollar was rather a money of account, an ideal measure used in bookkeeping, than a coin to be fingered. The old Continental currency was so much worthless paper. The best-validated claims against the Confederation were worth less than fifteen cents on the dollar.

It was not strange that in this situation seven of the states resorted to new issues of paper money. While colonies they had used this expedient, and they employed it during the Revolution; now, for the sake of a temporary benefit, they were recklessly ready to encounter the penalties. Rhode Island, New York, New Jersey, Pennsylvania, the Carolinas, and Georgia all indulged. New York issued a million dollars receivable for customs. In one session of the legislature New Jersey was saved by the governor from issuing half a million dollars of legal-tender paper money, only to issue it the next session, and the stuff soon would buy nothing. Pennsylvania issued a million, not made legal tender for private debts, but, despite every caution, this dollar sank to eighty-eight cents, which was better than could be said of others. North Carolina tried to get her paper money into circulation by buying tobacco at twice its value, which was a guarantee of speedy depreciation. In South Carolina there was vigilante coercion to make people receive the paper at face value; Georgia attempted official compulsion which must have been simply an invitation to lies.

The demand for these paper issues came from debtors, from small farmers loaded with mortgages which they could not meet, and from the unemployed. The depression was most severe in Rhode Island and Massachusetts, where the British Navigation Acts ruined the shipping and the export of fish, grain, beef, and lumber. In 1786, a Rhode Island legislature elected for the purpose issued half a million dollars in paper to farmers and others who gave mortgages for twice the amount each received. But merchants and creditors would not take the paper at

face value. Then a heavy fine and loss of suffrage were made the penalties for refusing to accept paper at the value of gold. The merchants of the seaport towns answered by shutting up their shops. The farmers retaliated by starving the cities and destroying their produce. In a test case in court the judges decided that one Weeden, a butcher, should not be punished for refusing to sell his meat for the paper at face value, as the forcing act was unconstitutional. The judges were removed by the legislature, but in six months the Rhode Island paper dollar fell to sixteen cents.

Shays's Rebellion of Indebted Farmers

It was in Massachusetts that the times seemed most out of joint, as was demonstrated in Shays's Rebellion of 1786–87. This armed uprising of indebted farmers of the middle and western counties had so much influence in bringing about the Constitutional Convention and on provisions of the Constitution strengthening the central government and limiting the powers of the states that it deserves description.

The peace had been followed, as we have seen, by an emotional elation which took the economic form of extravagant imports and purchases of merchants, with general disregard of old debts and blitheness in contracting new ones. The depression found moneyed and mercantile men in Boston and other coast towns clamoring for what was owed them, while the people of the interior had nothing with which to pay. Their mortgages and other debts had been contracted when prices were high from depreciated paper. Now specie had been drained away and the legislature had refused to give relief by issuing more paper or to permit debts to be paid in horses and cows. Instead new taxes were laid to redeem notes given to soldiers for back pay, most of which notes were now in the hands of speculators. The typical farmer of the interior may not have seen fifty dollars a year in money, and there was much unemployment in the villages. The courts were active in foreclosing upon farms. Whoever else lost, the nimble lawyers gained and became objects of execration hardly less than those for whom they made demands.

The jails were jammed with debtors; there were, for instance, ninety-four in Worcester County in 1785, fifteen of these in one small room. At the forced sales of the little farms all that a man possessed went at a low price to satisfy his most pressing creditor, and if he was still in debt he would put himself in virtual slavery if his creditor would consent not to throw him in jail. Many of these debtors had fought to free their

country. They lived in little communities where there was close personal sympathy between them, and they were accustomed to the resort to firearms to protect their rights. They felt they were victims of misfortune not of their own making. Still, the people clung for a time to faith in legislative remedies. The first county convention, that of thirty-seven towns of Worcester in August, 1786, made demands which were lengthened and elaborated in a larger convention of Hampshire County a week later. We may see these resentful farmers as they called out their grievances until the clerk had set down no less than twenty of them. In conclusion, they begged "to have emitted a bank of paper money, subject to a depreciation; making it a tender in all payments, equal to silver and gold. . . ."

The next week, in order to stop action against debtors, the people collected and prevented the meeting of the court at Northampton. They paid no attention to Governor Bowdoin's proclamation against "such treasonable proceedings." More armed men appeared early in September at Worcester and kept the court there from issuing five hundred processes.

Massachusetts Insurgents in Control

When the supreme justices were to sit in Springfield they were confronted by insurgents under Daniel Shays outnumbering the six hundred militia sent by the governor. By this time the armed debtors were spurred on, not only by the desire to escape their creditors, but to prevent the court from taking criminal action against themselves. Shays, a native of near-by Pelham, had been a captain in the Continental army. The story of the insurrection has been told by those who trembled at it, or by officers, such as General Lincoln, who put it down, so that Shays has been pictured as at best a weak and deluded man. But the fact that the uprising has been given his name and the way in which he stuck to his men in their greatest danger would indicate a stronger character.

The militia was overawed and the court could not sit at Springfield. The legislature met in emergency session and both threatened insurgents and made concessions to them. Habeas corpus was suspended, and any guilty of joining riotous assemblies was to forfeit all he possessed, be jailed and whipped. But laws were passed permitting the payment of back taxes in goods, lowering court costs, and offering pardon to all rebels who would take the oath of allegiance.

The armed protestants heeded neither promises of relief nor of pun-

ishment. The state government was plainly terrorized. Local militia could not be raised against the insurgents. George Washington and others were fearful that the disturbances might spread to other states throughout the weak Confederation. Shays was at the head of a thousand men in Worcester. He was deterred from an attack on Boston because of the December weather; he turned to Springfield instead, where he meant to capture the federal arsenal. The state had raised an army of forty-four hundred, funds for the purpose being advanced by wealthy men of Boston. Shays attacked the arsenal before the main body of state troops arrived, but was beaten off with losses. He later retreated to Amherst, moved his men to his own Pelham, and thence to Petersham. General Lincoln made an all-night surprise march across the snowy mountains to capture Shays and most of his band. Fourteen of the leaders of the outbreak were condemned to be executed for treason, but John Hancock, just elected governor, pardoned them all. The uprising in Massachusetts was the main but not the only one, for the courts had been closed by mobs at several points in New Hampshire and Vermont, with bloodshed at Rutland.

Western Land Cessions and Antislavery Ordinance

Another source of dissension lay in the conflicting claims of states to vast western territory. Virginia made good her sovereignty over what became Kentucky, and North Carolina had finally incorporated Sevier and his State of Franklin. But the Old Northwest was claimed, through charter or conquest, by four states — Virginia, Connecticut, Massachusetts, and New York. The "sea-to-sea" provisions in their charters had been written by men who had not the vaguest notion where the Pacific lay; they probably thought it no farther west than the Blue Ridge Mountains in the south and the Adirondacks in the north. The small states with no claims were fearful lest Virginia and New York, particularly, should add to themselves empires in the West and finally disregard or even eat up their smaller neighbors. Maryland took action which at first was considered dangerously disloyal. When the Articles of Confederation were about to be presented to the states, Maryland voted alone in Congress in favor of a determination of western boundaries by the central government and the division of the remainder of the territory to the Mississippi, beyond which all was Spanish, into new states by the same authority. Two years later she said she would not ratify the Articles until pretensions of rivals in the Northwest were dropped. Congress saw the wisdom of Maryland's stand and urged

contending commonwealths to surrender their claims. New York, Connecticut, Virginia, and Massachusetts, in that order, were won over, though Connecticut kept ownership of three and a quarter million acres on the south shore of Lake Erie ("Western Reserve") in order to compensate sufferers in the Revolution and as a source of funds for education.

Even before the cessions of western territory were completed, plans were offered for its organization by Congress. The Ordinance of 1784 was largely the work of Jefferson, who in this case, as in his other actions regarding the West, was a nationalist and not a sectionalist. It was proposed to divide the great area, as quickly as population of the different parts was large enough, into ten states, with high-sounding names, such as Chersonesus, Assenisipia, Polypotamia, Pelisipia, and the like. The new states were to be republican in form, with universal suffrage; they must remain forever a part of the United States — a provision directed against secession and union with England or Spain; they must pay their shares of the federal debt; and, most important for history, slavery was not to be permitted in them after the year 1800. This was the policy of preventing the extension of slavery which later became the successful insistence of the northern states.

Jefferson had left for France by the time the Ordinance of 1787 was passed, under which the Northwest Territory was ultimately divided into five states, but they were essentially his plans which were incorporated in the effective measure. There should be "neither slavery nor involuntary servitude in the . . . territory, otherwise than in the punishment of crimes. . . ." This provision like the rest went into effect immediately. However, to satisfy the slave states which voted for the Ordinance, it was declared that slaves fleeing to the free territory could be reclaimed by their owners. In several important stipulations this law anticipated the Constitution. Thus, "no law ought ever to be made . . . in the said territory, that shall, in any manner whatever, interfere with . . . private contracts. . . ." This was induced by the paper-money excesses of the states and the "stay" laws postponing collection of debts. Religious freedom was guaranteed. Equal division of property among descendants, a favorite scheme of Jefferson's to limit landed aristocracy, was provided. However, there were property qualifications upon voting and holding office. The Ordinance of 1787, contrary to so much in this period of the Confederation, was an assertion of national authority. It was without precedent or constitutional sanction. It was a fortunate assumption of sovereignty.

References for further reading will be found at the end of Chapter 12.

Chapter 11

Economic Influences on the Constitution

SOLUTION TO THE PERPLEXITIES we have described began with a meeting in March, 1785, at Washington's home, Mount Vernon. Commissioners from Virginia and Maryland had come together at Alexandria, on the Potomac, to reach a trade agreement about the navigation of that stream and of the Chesapeake and to forward plans for connecting the seaboard with the Ohio Valley by canals. Washington, quite as hospitable to their purposes as to their persons, sent his coach the dozen miles to fetch the gentlemen from Alexandria to his mansion. Nobody was more sensible than he of the peril in which the Union lay by reason of the disputes between states. Also, for two years he had been mapping ways to the West through the valleys of the Mohawk, the Potomac, and the James, and had become the head, without pay, of a company for cutting canals along the last two rivers.

The Virginia and Maryland commissioners soon agreed upon uniform duties and currencies, approved the canal projects, and invited Delaware, which would be involved, to join with them in the latter effort. In all of this the commissioners acted against the Articles of Confederation, which forbade agreements between states without the consent of Congress. Soon, however, both Maryland and Virginia ratified their local agreements. Maryland suggested that a future conference be enlarged to include not only Pennsylvania, but Delaware, since there should be a canal between the Delaware and Chesapeake Bays. It was then suggested that they bring in the rest of the states. On motion of James Madison, Virginia approved the opportunity to invite commissioners to assemble at Annapolis in September, 1786.

Madison wrote to a friend that "the recommendation of additional powers to Congress is within the purview of the commission. . . ." This was by no means the first expression of the need to make the central

government equal to its responsibilities. Congress itself had twice without success sought authority to lay import duties to raise a revenue. Hamilton, writing from Washington's camp as early as 1780, after reviewing "the impracticability of supporting our affairs on the present footing, and without a solid coercive union," urged that Congress simply begin to exercise powers presumed to be vested in it ("powers competent to the public exigencies"). If this seemed like usurpation, a constitutional convention of all the states should be called forthwith "with full authority to conclude finally upon a general confederation." He was sure that "Congress should have complete sovereignty in all that relates to war, peace, trade, finance, and to the management of foreign affairs." Unoccupied lands should belong to the nation and revenue from the sale of these should be supplemented by duties on foreign trade. Congress ought to have power to coin money and establish banks, and such great departments of government as foreign affairs, war, marine, trade, and finance should be presided over, not by fumbling committees, but by competent, responsible ministers.[1]

The Annapolis Convention

Rarely has a gathering which was to lead to so much seemed so unpromising as the Annapolis Convention, called to order September 11, 1786. Only five states were represented — New York, Pennsylvania, New Jersey, Delaware, and Virginia. Four states had appointed delegates who did not arrive. The other four — among them Maryland, which should have been host to the convention — had named no delegates. The slim attendance made action for commercial reform impossible. The hopes of the country seemed ready to be forfeited in weakness and disunity. Alexander Hamilton was a delegate from New York, and

[1] General Philip Schuyler, Hamilton's father-in-law, in 1781 tried to initiate, through the Senate of New York where he had great influence, a movement for a convention leading to an effective union; it should "devise a fund for the redemption of the common debts; substitute a permanent and uniform system for temporary expedients; and invest the Confederacy with powers of coercion." Four years later, the legislature of Massachusetts resolved that the Articles of Confederation needed strengthening. Only a month before the Annapolis Convention was to meet, Washington wrote that the degeneration of government had prompted men to propose a cure worse than the disease: "I am told that even respectable characters speak of a monarchical form of Government without horror. . . . What a triumph for our enemies to verify their predictions . . . that we are incapable of governing ourselves, & that systems founded on the basis of equal liberty are merely ideal & fallacious! Would to God that wise measures may be taken in time to avert the consequences we have but too much reason to apprehend." General Knox, alarmed by Shays's "formidable rebellion against . . . the principle of all government," declared to Washington that "Our government must be braced, changed, or altered to secure our lives and property."

at this moment stepped out on the national stage where he was to play a determining part for the next decade. Now was the instant when his purpose, long-matured, found practical expression, and his bold imagination captured assent. More than mere commercial comity was needed. The crisis demanded a new government. Hamilton drew up a ringing call for a general constitutional convention, to meet the next year in Philadelphia. It was an awakening document. All the states were begged to send commissioners "to take into Consideration the situation of the United States to devise such further Provisions as shall appear to them necessary to render the Constitution of the Federal Government adequate to the exigencies of the Union; and to report such an Act to the United States in Congress . . . as . . . will effectually provide for the same."

Hamilton and his fellows were aided by the fortunate fact that New Jersey had empowered her delegates "to consider how far a uniform system in their commercial regulations *and other important matters* might be necessary to the common interest and permanent harmony of the several states." This additional inclusive phrase now became the test. The existing system had "important defects . . . of a nature so serious as . . . to render the situation of the United States, delicate and critical, calling for an exertion of the united Virtues and Wisdom of all the members of the Confederacy." Thus it was imperative to have "a Convention of Deputies from the different States, for the special and sole purpose of entering into this investigation and digesting a Plan for supplying such defects."

It took a general admission among the men at Annapolis that matters had come to a bad pass to make them put their names to this paper. Hamilton had had unusual and intimate proof that Congress was palsied and tottering to a grave on which the witless states would fight till all were ruined. As secretary to Washington in camp and field he had sent to Congress pleas for supplies and pay for troops which that body debated and the states delayed or omitted to give. As a member of Congress he had seen how one obstinate state could scuttle the will of all. This report of the Annapolis Convention was written in an evening — or was it written in ten years of exasperation? But it marked a turning point in our history.[1]

[1] Others since have fallen in with the notion of Otto, the French Minister in this country, expressed in a letter to Vergennes, his Secretary of State, that the Annapolis Convention was no better than a ruse to get a new constitution which, by strengthening the central government, should protect creditors. The ranks of the people, loving, while they abused, the laxness of laws, were hoodwinked. "By proposing a new organization of the federal government,"

Was the Constitution a Mortgage on America?

Whether concerning the Annapolis Convention, the making of the Constitution, or the measures of the first national administration, it is hard to assess the motives of the participants. Professor Beard is celebrated for the contention that the new vigorous central government was the creation, probably the creature, of the capitalist class, men concerned with "public securities, shipping and manufacturing, money at interest; in short, capital as opposed to land." At this point it is enough to raise a question about the thesis of pocketbook patriotism. If it is to be held that after the war men of capital molded the government to their own protection, it must not be forgotten that during the Revolution they sacrificed their resources for the common benefit. Certainly their money bags were not then the objects of their greatest solicitude, or they should have been Loyalists. Nor need we be surprised to find national councils, especially at a time of crisis, filled with men of education, position, and means. To a great extent the same is true even today, when stability, the long nurture of democratic tradition, public education, and labor organizations have increased the opportunities for popular representation.

The breakdown of the Confederation threatened all, rich and poor alike, and probably the poor the most. Agrarianism — the sweeping away of property in goods, the distrust of all government, national, state, and local — would have proved a brief retaliation. It would have led to more widespread poverty, and soon to the division of the country and the attachment of parts to Spain and England, or to one American monarchy over all. Men who had worked and suffered for more than a decade for American independence might be credited with solicitude for national safety and respectability over and above private interests. Hamilton more than others was the author of the new system. His advocacy of it was continuous from his youth. Much has been made of the fact that he was intimately allied with capital and so became its

he observed, "all minds would have been revolted; circumstances ruinous to the commerce of America have happily arisen to furnish the reformers with a pretext for introducing innovations. . . . The authors of this proposition had no hope, nor even desire, to see the success of this [Annapolis] assembly . . . which was only intended to prepare a question much more important than that of commerce." Professor Charles A. Beard (*An Economic Interpretation of the Constitution of the United States*, p. 62) embraces this view, saying "the Annapolis convention . . . was the creation of the men who had been working in Congress and out for a general revision of the whole system . . . it was not regarded as of much significance in itself, but rather as a preliminary to a national convention which would afford an opportunity for reconstructing the government."

strategist. But he was planning a strong central government — a convention to bring it about and instruments for its functioning when set up — years before the Annapolis Convention — when he was not a successful lawyer in New York City, but a poor subaltern with not so much as an extra pair of shoes. His schemes for bolstering the finances of the country were presented with as much fervor in 1780 as in 1790. He kept up his advocacy with undiscouraged devotion, with a passion which lifts it above party. The same was true of others.

Further light is thrown on this question of the motives back of political measures when we reflect on the important actions of the Republicans (Democrats) when they came to power with Jefferson's presidency. They went outside the Constitution to enlarge the national domain; they utilized the fullest national power over commerce, agriculture, and industry through the embargo and non-intercourse policies, and they proposed comprehensive systems of tariff protection and internal improvements. These were the men whose interests — in land as against capital, in rights as against authority — were thought to dispose them toward decentralized government.

But to return to our story of what came of the Annapolis Convention. Its report was directed to the states, but was brought before Congress to secure the weight of its approval. Congress, seeing itself disparaged in the whole proceeding, said that neither the convention nor the states had the right to call a national constitutional assembly. However, the states overrode the disapproval. Virginia headed the list and determined the issue by naming George Washington one of her delegates to the convention called to meet at Philadelphia. New Jersey, Pennsylvania, North Carolina, Delaware, and Georgia followed. The country was suffering from internal rebellion, threats of secession, and an empty treasury. John Jay, Secretary for Foreign Affairs, had recommended that Congress permit closing of the lower Mississippi by Spain, which would injure the West, but would enable New England to get the commercial treaty with Spain which her merchants wanted. The Westerners declared that if they were sold out, they would attack New Orleans, set themselves up independently of the Union, or join the British; if any of these things happened, the South would hold with the West if it had to secede from the Union to do it. On the other hand, New England men were muttering about secession if Congress did not make the treaty with Spain.

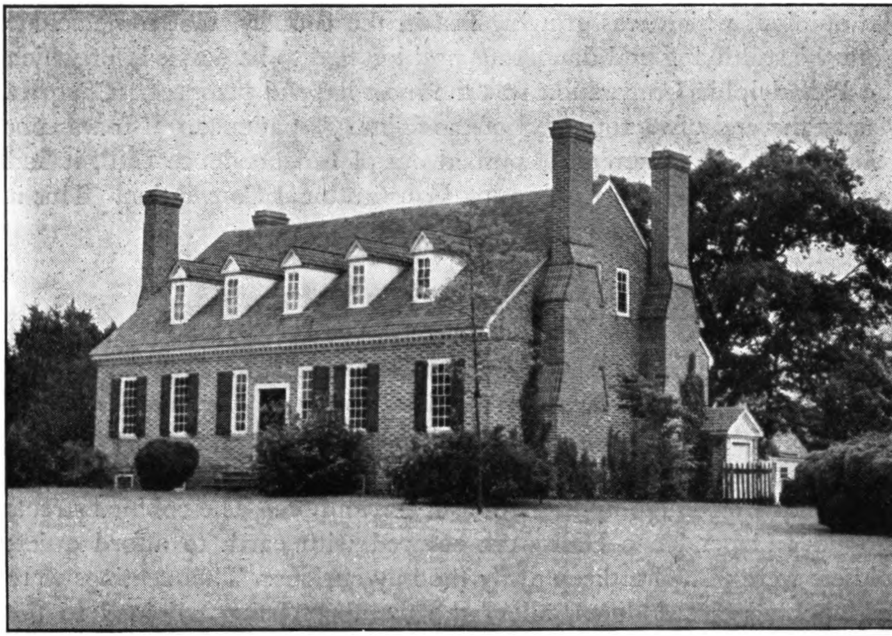
The latest attempt to give Congress an income had produced no money, but more danger of disunion. Massachusetts was won over by

the opinion, which was growing fast in the country, that some rescue from the stultifying and dangerous position had to be devised, for which the Philadelphia Convention was the most hopeful prospect. Congress was at the end of its rope and of the country's patience. If it was not going to be unceremoniously pushed out of Independence Hall, it had to submit to approving the coming Constitutional Convention. This it now did, though with no very good grace.

The Men Who Made the Constitution

The Constitutional Convention was in session from May 25 to September 17, 1787. Fifty-five men attended at one time or another, representatives of all the states except Rhode Island. The average attendance was around thirty, so that the body was more like a large committee than what we commonly think of as a convention. The cobbled streets around Independence Hall were covered with earth to afford quiet; soldiers were posted to keep away the idly curious. The meetings were held behind closed doors, all of the members being enjoined to the strictest secrecy until the result of the convention's completed labors could be put before the public. The questions which came up were vexing enough without the swarms of flies and mosquitoes which bit through the silk stockings of the delegates; and the sultry heat of the Philadelphia summer several times had its part in fevering the debates.

Washington was inevitably elected presiding officer. He contributed not only his prestige, but his stabilizing influence as moderator, and, both in the chair and on the floor, took an occasional but weighty part in the discussions. Franklin was the next member in point of deference, but he was so old as to be a presence rather than a force. Other delegates of the first order of ability were Madison and Hamilton. Madison had been a prime mover in all of the preliminaries of the convention, from the calling of the little meeting at Mount Vernon two years before. He had more to do with the molding of the Constitution as a document than any other dozen delegates. He was constantly in attendance at the sessions, proposing, interpreting, and persuading, making use of a knowlege of history and its applications to immediate problems in a way which belied his thirty-six years. Also during and between sessions he labored over his notes of the proceedings, and they constitute our chief knowledge of the way in which the Constitution was hammered out. Hamilton, six years younger than Madison, though equally concerned for the result, took less part in forming opinion in the convention. His



Keystone

RECONSTRUCTION OF WASHINGTON'S BIRTHPLACE, WAKEFIELD, VIRGINIA

work, distinguished before, was more distinguished afterward in helping to get the Constitution adopted by the states and then in making it, during Washington's first administration, a living instrument of government. He could do little in the convention itself because delegates voted by states, and his two colleagues from New York, Yates and Lansing, were representatives of the states' rights faction, opposed to the strong central government which Hamilton urged. When the question was whether to patch the Articles of Confederation or supplant them, Hamilton in his fervid plea for a national system went beyond what others would assent to, but he contributed to making the central power substantial.

Other members would have been leaders in any assembly — John Dickinson of Delaware, James Wilson and Robert and Gouverneur Morris of Pennsylvania, Rufus King and Elbridge Gerry of Massachusetts, George Wythe, George Mason, and Edmund Randolph of Virginia, John Langdon of New Hampshire, Luther Martin of Maryland, Oliver Ellsworth and William Johnson of Connecticut, to mention a specimen few. About a third of the delegates took less part in the pro-

ceedings but contributed in nameless ways, through sincerity and good sense, to the result.

The Jovian theory of the Constitution is discredited. We are hardly to exclaim with Gladstone that "the American Constitution is the most wonderful work ever struck off at a given time by the brain and purpose of man." Nor are we to share in the metaphors of John Fiske when he lauded the document as "this Iliad, or Parthenon, or Fifth Symphony, of statesmanship." Although it is an instrument devised by patriotic and practical men to save their country by saving the economic interests which most of them represented, it is going too far to say that it was their object to save themselves by saving the country. It is Professor Beard's celebrated contention that the Constitution was laid up, clause by clause, as a fort for the economically privileged against agrarian alarms and against the fate which would overtake wealth, existing and prospective, if the Union were dissolved. It is true in so far as the convention was composed predominantly of owners of hard money, federal and state securities, slaves, stocks of goods, ships, and western lands, all of which would be worth little if the central government continued to degenerate, and all of which would be bolstered by national authority and solvency. Professor Beard's *Economic Interpretation of the Constitution of the United States* is essential to the student because it divests the period and its chief figures of the aura of patriotic glamor, exhibiting the material cleavages of the time and establishing the possessions and expectations of each member of the convention. More than a corrective of abstract veneration, it is a picture of the maneuvering of economic forces with the champions clothed in political armor. However, as we have said with reference to motives in the Annapolis Convention, it would be a mistake to press the point too far, for there is plenty of evidence of disinterested patriotism as well as of designs of property.[1]

Confederation Not Revised But Replaced

The purposes of the convention are well represented in a few sentences quoted from Madison's notes of speeches by Edmund Randolph and Alexander Hamilton:

> Mr. Randolph was not scrupulous on the point of power. When the salvation of the Republic was at stake, it would be treason to our trust,

[1] The thesis must admit to gaps and partial refutation. Some members of the convention, falling precisely within the categories of wealth supposed to incline them to national aggrandizement, opposed the Constitution as drawn while others, without personal material incentives, were among its most important framers and friends.

> not to propose what we found necessary. He painted in strong colours the imbecility of the existing confederacy, and the danger of delaying a substantial reform. . . . The present moment is favourable, and is probably the last that will offer.

He was followed the next day by Hamilton:

> The crisis . . . was too serious to permit any scruples whatever to prevail over the duty imposed on every man to contribute his efforts for the public safety and happiness. . . . The States sent us here to provide for the exigencies of the Union. . . . The great question is, what provision shall we make for the happiness of our country? . . . we ought to go as far, in order to attain stability and permanency, as republican principles will admit.

Most of the delegates, when they assembled at Philadelphia, probably considered that they had been sent by their states to assist in *merely amending* the Articles of Confederation. Such were the words used in their several appointments. But some of the states in deputing their representatives went beyond this, opening the way to such *complete revision* as would amount to the setting-up of a new form of government. The delegates had not been long together before it was generally agreed that the convention must not let itself be confined to propping and patching the existing government, but must be free to propose the frame of a substantially new one. Representatives of the smaller states and men politically cautious fought against this latitude. They denied that such wide powers were possessed by the convention and, when it came to measures, wanted no more than a somewhat firmer confederation of states. The bolder and more practical wanted to transfer power from states to a central government, and to permit the latter to leap over state lines and act immediately upon individual citizens.

Their insistence was announced early in the discussion, on the wording of the opening propositions of the Virginia Plan:

> That a union of the States merely federal will not accomplish the objects proposed . . . namely, common defence, security of liberty, and general welfare. . . . That a *national* government ought to be established, consisting of a *supreme* Legislative, Executive and Judiciary.

This was revolutionary. The scrupulous were quick to declare so, pointing out that such a scheme transcended the amending provision of the old Articles. Moreover, the people would never approve so radical a plan, but would say that the delegates in their secret sessions had hatched

tyranny. Washington banished these timidities and set the convention squarely on its course by a short and eloquent statement. He declared:

> It is too probable that no plan we propose will be adopted. Perhaps another dreadful conflict is to be sustained. If, to please the people, we offer what we ourselves disapprove, how can we afterward defend our work? Let us raise a standard to which the wise and the honest can repair; the event is in the hand of God.

Several General Plans for the Constitution

The Constitution was fashioned on the Virginia Plan, submitted by Randolph, and largely written by Madison. This provided for a national government — as Randolph termed it, "a strong *consolidated* union." The chief foil to this scheme was the New Jersey Plan, formulated by that delegation, presented by William Paterson, and championed by the small as against the large states. This strengthened but kept the Confederacy. A third plan, that of Charles Pinckney of South Carolina, was formally submitted, but seems never to have entered into the debates. In powers granted to the central government the rivalry was between the Virginia and New Jersey plans. The fourth outline of government was presented by Alexander Hamilton; this he read to the convention, but did not submit it for discussion, intending it as advance indication of amendments he would propose to the Virginia Plan. Hamilton's plan provided for what amounted to an elective monarchy, with virtually no power remaining to the individual states. For present purposes, however, we shall briefly examine the Virginia and New Jersey plans in regard to their economic significance.

In the Virginia Plan the wealthier and more populous states were given supremacy. The legislature had two branches, the lower chosen directly by the people, the upper by the lower, from men nominated by the state legislatures. In both branches votes were to be proportioned to the number of free inhabitants or to the contributions of the different states to the national treasury. This would give Virginia, the most powerful state, sixteen votes in the lower house to one of Georgia, which had the smallest population. Members in both houses, representing population and wealth, were to vote as individuals, not by states. Thus, the small and poor states were potentially submerged, and it was possible, by the rule of a mere majority which was to apply, for the big states to combine readily against their lesser neighbors. This legislature might declare unconstitutional laws of the states and had original power "in

all cases to which the separate States are incompetent, or in which the harmony of the United States may be interrupted by the exercise of individual legislation."

In the early consideration of the plan the larger and wealthier states favored it — Virginia, Massachusetts, Pennsylvania, the Carolinas, and (because of her great possibilities of growth) Georgia. The smaller states were opposed — Connecticut, New Jersey, Delaware, Maryland, and New York, without the magnitude it later possessed, and two of its three delegates especially attached to states' rights. The executive and also the federal judiciary were to be chosen by the national legislature, and together could exercise veto power on the acts of that legislature. The Constitution, if approved by Congress, was to be submitted for ratification, not to the legislatures of the states, but to constitutional conventions specially chosen by the people. Speaking of the negative on state laws, Madison explained, "This prerogative of the general government is the great pervading principle that must control the centrifugal tendency of the states, which, without it, will continually fly out of their proper orbits, and destroy the order and harmony of the political system."

Two weeks of debate on the Virginia Plan thoroughly alarmed the little states, which did not want a consolidated union controlled by the big states and acting directly upon individuals. So the New Jersey delegation sponsored a competing plan. Congress was kept as it was, of one house and representing states, but it was given necessary new powers — to raise revenue for federal purposes by import and stamp duties and by postal charges. Requisitions could be made on the states for money; not according to the value of land in each, as under the original Articles, but according to the whole number of free citizens and indentured servants and three fifths of the slaves. Congress was given power over interstate and foreign commerce. Its laws and treaties were supreme and could be enforced against a state by the calling-out of troops. Congress was to elect the executive, who, however, could be removed by action of a majority of the executives of the states. There was to be a supreme federal court, but no subordinate federal courts were provided for.

The New Jersey Plan, in merely amending the powers of the old Congress, was opposed by the large states. Hamilton, in stronger terms than others, explained the grounds of their dislike of it. "An active and constant interest in supporting" the federal government "does not exist in the States. . . . They constantly pursue internal interests adverse to those of the whole. They have their particular debts, their particular plans

of finance, &c. All these, when opposed to, invariably prevail over, the requisitions and plans of Congress." The state claims "An habitual attachment of the people. The whole force of this tie is on the side of the State Government." This being true, he asked how could Congress, the creature of the states under the New Jersey Plan, exert military force against the states collectively? And he answered, "It is impossible. It amounts to a war between the two parties. Foreign powers also will not be idle spectators. They will interpose; the confusion will increase; and a dissolution of the Union will ensue." The decrees of a Congress set up by the states must be "mere signals of war." The plan of New Jersey would not serve.

Compromises of the Constitution

Out of the antagonism of those who demanded a strong central government and those who wanted an amended league of sovereign states, out of the clash of large and small commonwealths, came several compromises.

The first and most important had to do with representation in the national legislature. Before this agreement was reached, the convention was on the verge of breaking up with nothing accomplished, and with the prospect of fatal weakness, suspicions, and hates finding their finish in civil war. Paterson declared that

> . . . there was no more reason that a great individual state, contributing much, should have more votes than a small one, contributing little, than that a rich individual citizen should have more votes than an indigent one. . . . Shall I submit the welfare of New Jersey with five votes in a council where Virginia has sixteen . . . ? Neither my state nor myself will ever submit to tyranny.

James Wilson of Pennsylvania wanted representation of population rather than of states, and countered with:

> "The gentleman from New Jersey is candid. . . . I commend him for it. I will be equally candid. . . . I will never confederate on his principles."

A delegate from Delaware turned to the men of the big states:

> *Gentlemen, I do not trust you.* If you possess the power, the abuse of it could not be checked. . . . Sooner than be ruined, *there are foreign powers who will take us by the hand.*

Hamilton, on the contrary, while admitting that there should be subordinate administrative jurisdictions, thought that "as *States* . . . they ought to be abolished." Men toyed with the notion of redrawing the map of the country, to get states of equal population and wealth.

To cut a long story short, the Connecticut delegation, assisted by other small-state men, after much backing and filling and referring to committees and re-referring, succeeded in carrying "the great compromise." This was the proposition that representation in the upper house should be by states with two senators elected by each state legislature. Representation in the lower house was to remain as the big-state men had all along demanded, according to population — one congressman for every thirty thousand citizens. The solution, of having the central legislature composed of one house standing for the states and the other for the people, was not new in the language of the convention, but consent to it was a major achievement, after which remaining differences were settled with less trouble.

Other parts of this compromise must be mentioned. All money bills were to originate in the House and might not be amended in the Senate. Also senators, except in a few cases, were to vote as individuals, and not, as in the old Congress, by states.

Grave consequences attached to the method of apportionment of representation in the House. It had at first been proposed to make this according to population, or wealth, or perhaps according to both. After debate it was generally felt that population would measure wealth accurately enough. But what about slaves? They were found in all the states, but made up a heavy part of the population only in the southern states. The plantation states, particularly South Carolina, wanted slaves counted as persons, for purposes of apportioning representation in the lower house, while the northern states reminded, with fatal accuracy in law, that they were property. The result was the adoption of the device of counting all the free inhabitants and three fifths of the slaves. This dodged logic, but for the time avoided an impasse. By the same sign, however, the South was not to avoid entirely acknowledging that the slaves were property, for, in laying direct taxes according to population, three fifths of the slaves were to be included.

Slave Trade Demanded by Far South

A "bargain," as Gouverneur Morris rightly called it, was struck between the northern states, including Maryland and Virginia, and those

farther south, particularly Georgia and South Carolina. The northern states wanted Congress to have power to regulate foreign commerce and commerce between the states, to be able to pass a "navigation act" and to break up the separate state duties on imports and exports. Also, the northern states were generally opposed to the importation of slaves which those states, including Maryland and Virginia, had either prohibited or were about to prohibit. The delegates from South Carolina and Georgia, on the other hand, said flatly that their states would "not be parties to the Union" if Congress were given power to prevent the importation of slaves, and would be seriously injured, if not alienated, were Congress allowed to place export duties on their indigo and rice. The interests of Virginia and Maryland, on the one hand, and of South Carolina and Georgia, on the other, were opposed on the matter of the external slave trade. The former, having more slaves than they wanted, would be benefited by stopping imports of slaves to the south of them, for they could then supply the whole demand of "the sickly rice swamps." The Pinckneys and Rutledge from South Carolina and Baldwin from Georgia offered arguments for continued importation of Negroes which were so discreditable and so inconsistent with each other that they carried little weight with the convention. Most were convinced, however, that these two states — and South Carolina's adherence to the Constitution was considered essential — would not come in if one of their "favorite prerogatives" of importing slaves were interfered with. The South Carolinians declared that slavery was "justified by the example of all the world. . . . In all ages one half of mankind have been slaves," and so on. George Mason of Virginia came in with famous words, not more reproving of his far-southern colleagues than prophetic of the future: "This infernal traffic" concerned "not the importing States alone, but the whole Union." There was grave danger of slave revolts. Virginia, Maryland, and North Carolina substantially had put an end to the slave trade.

> All this would be in vain, if South Carolina and Georgia be at liberty to import. The Western people are already calling out for slaves for their new lands; and will fill that country with slaves, if they can be got through South Carolina and Georgia. Slavery discourages arts and manufactures. The poor despise labor when performed by slaves. They prevent the migration of whites, who really enrich and strengthen a country. They produce the most pernicious effect on manners. Every master of slaves is born a petty tyrant. They bring the judgment of Heaven on a country. As nations cannot be rewarded or punished in the next world, they must

> be in this. By an inevitable chain of causes and effects, Providence punishes national sins by national calamities. . . . He held it essential in every point of view, that the General Government should have power to prevent the increase of slavery.

The result of all this was a compromise. Congress was not to interfere with the slave trade, external or internal, for twenty years — that is, before 1808 — nor to impose any duty on exports, especially the southern staples, rice and indigo. On the other hand, Congress was given power to regulate foreign commerce and commerce between the states by a simple majority vote.

Slavery, in the matter of the "three-fifths rule" and in this other bargain over the slave trade, thus confronted the new country on the very threshold of making the Constitution. It is worth noting that the words "slave" or "slavery" do not occur in the document. Their use was studiously avoided by men who realized that they had no place in the fundamental law of a free people. But verbal camouflage was no protection while the institution of slavery stood. The debates over the issue in the Constitutional Convention were of a vehemence to justify Madison's forecast that the real contest in America would not be that between large and small states, but between a free-labor North and a slaveholding South.

With the wisdom of hindsight, we may wonder whether it would not have been better to move decisively against slavery at this moment when American government and economy were making a fresh start. If South Carolina and Georgia had remained outside the Union at first, they probably, like North Carolina and Rhode Island, would soon have come in. As it was, instead of isolating them, they were incorporated, and their attachment to slavery spread to other states, such as Virginia and Maryland, which at this time contained strong abolitionist sentiment. Now that the constitutional gate had been left open, invention of the cotton gin within a few years supplied a powerful economic motive for the growth of slavery which beat down feeble legal inhibitions. South Carolina, indulged in the beginning, remained to be placated for seventy-five years through one compromise after another until civil war was necessary to accomplish what high resolve might have insured at the outset.

We turn now to the features of the Constitution designed to prevent the glaring weaknesses and disorders which had been present under the Articles of Confederation. It is true, as Professor Beard has so well shown, that the "common welfare" which was thus to be forwarded

took the shape in the first instance of protection of a propertied minority against "the diseases most incident to republican government," namely, the undermining of economic and social stability by ill-considered use of majority power. It must be remembered that, at the time of the formation of the Constitution, there were not those doubts about the sanctity of private property in natural resources, in large funds, and in productive equipment which have arisen since. The states had property qualifications on voting and on holding office. Further, armed rebellion had threatened to engulf the protesting unpropertied majority with the propertied minority in general ruin. This was long before the day of Marx, Lassalle, and Lenin, who showed how certain forms of property, through force of economic development, had really become socialized and ought to be socially managed for the common benefit. At the stage when our Constitution was made, it is fair to say that protection of the majority was to be insured by protection of the propertied minority, whereas later it came to be the other way round, when legal defenses of minority property "rights" could do injury to national welfare. At the earlier time, with finance and industry immature, and with no plan for the development of social control of the means of production, popular dissent could take only the form of agrarian assault, without the necessary accompaniment of a constructive program.

Property Versus Popular Claims

Madison, in explaining the Constitution and arguing for it in *The Federalist*, expressed the prevailing belief of its framers that "the diversity in the faculties of men" resulted in a few getting property and most having little or none; those with property and those without would form themselves into opposed political parties in accordance with their different economic interests; a constitution, then, should prevent the unpropertied majority from using the power of government to raid the riches of the minority. This was a realistic view, candidly stated. Many years passed before economic development suggested another slant. This was that acquisition of property did not arise so much from the superior ability of the individual as from privileges enjoyed by him, and that society, or government, in the interest of the majority, must extend control over what was largely the product of the whole community. But we must think of the framers of the Constitution in their own period, not in ours.

It would seem at first blush that constitution-makers wanting to pro-

tect wealth would have stipulated that voters and officeholders have a certain amount of property. But this was defeated because it was considered that the people, who had to ratify the Constitution, would never consent to a personal property qualification for the vote, such as money, securities, slaves, and that to require a little landed property would be to let in the small farmers who, heavily in debt, had been yelling for paper money and the breaking of contracts. Also, many men rich in personal property would be excluded from political voice by such a scheme, as they did not own land. So precautions had to be taken rather in the planning of the branches of government and in forbidding the states certain dangerous prerogatives.

Thus, the Constitution provided for "separation of powers," for "checks and balances," intended to prevent all the departments of government from being suddenly seized and turned against property; legislature, executive, and judiciary drew their authority from different sources and for different terms. The government, in other words, could not change all at once. The judiciary was expected to hold the legislature to acts in accordance with the Constitution, and the Constitution was to be amended only with difficulty.

As to specific powers of economic importance given to the federal government or denied to the states: The debts of the old government were to be valid under the Constitution. Congress was to be no longer dependent upon appeals to the states for funds which they might refuse, but could "lay and collect taxes, duties, imposts and excises, to pay the debts and provide for the common defence and general welfare. . . ." It should be noted that it was practically required that federal taxes be indirect (tariffs and excises), resting on consumption, and not direct, resting on property, for the latter sort could only be laid in proportion to population. Thus, the mass of the people could not put the burden of federal support on the wealthy few.

Congress was empowered to borrow money, regulate foreign and interstate commerce, make uniform bankruptcy laws, coin money and regulate its value, and punish counterfeiting. Each of these provisions had its history in experience under the Articles of Confederation; each gave authority where there had been weakness or stultifying impotence. Shays's Rebellion in Massachusetts, which had been quelled only a matter of months before the Constitutional Convention met, was steadily before the minds of men in that gathering; it was often referred to in the debates, and, together with similar disturbances in other states, inspired significant measures. So Congress could maintain armies and a

navy, organize a militia and use the latter "to execute the laws of the Union," and to "suppress insurrections." Every state was guaranteed a republican form of government. No state, terrorized by clamorous debtors, was to be allowed to play hob with the claims of creditors. None should coin money, "emit bills of credit [paper money], make anything but gold and silver coin a tender in payment of debts [no more payments in barren acres or old horses], pass any . . . *ex post facto* law, or law impairing the obligation of contracts." Thus, there were to be no more "stay" laws, or laws permitting discounts from debts. Also, by refusing to give to Congress the express power to issue paper money and make it legal tender, the framers undoubtedly meant that the federal government as well as the states should never have that opportunity of "sanctifying iniquity by law."

Another specific protection to property was the provision that no state should pass a law giving liberty to a fugitive slave, but that such fugitives should be delivered up to their owners. Finally, Congress was given authority over the western territory belonging to the Union, and could admit new states formed from that territory. This directly augmented the value of titles to western lands.

Ratification Awoke Jealousies and Suspicions

Though Congress had approved the calling of the Constitutional Convention, it was not without difficulty that the old legislature, which was to be superseded, was persuaded to submit the new instrument of government to the states for ratification. The state conventions were held between September, 1787, and July, 1788; Delaware was the first to ratify and New York the tenth and for a time the last. This was a period which tried the souls of the friends of the Constitution. There were close contests in certain leading states — Massachusetts, South Carolina, Virginia, and New York — when the fate of the country seemed to hang on the outcome. These critical debates, however, although anxious, were relieved by the ardor of the principal proponents of the Constitution as they engaged in the fierce encounter. More wearing in its way was the diffused discussion in the country generally, which was marked often by ignorance which had to be patiently instructed, by ill-will which had to be placated, and by obstructionism which had to be crushed. Democratic agnosticism was, after its fashion, harder to bring over than was interested objection. Pamphlets pro and con were issued on every hand, and printers and newspaper editors were as busy as fleas on a hot skillet.

The series of papers which was of greatest weight in persuading the country to adopt the Constitution was contributed by Hamilton (fifty-one numbers), Madison (twenty-nine numbers), and Jay (five numbers) to the *Independent Gazetteer* of New York. These essays, which were guides to an understanding of the new Constitution, were known in their collected form as *The Federalist.* Hamilton wrote the first number in the smoky cabin of a sloop dropping down the Hudson River, and others of the papers were composed by these busy men in brief time — not too brief, however, for their complete knowledge and intense zeal to find expression in commanding prose. Opponents were not lacking. Richard Henry Lee of Virginia, who had proposed the Declaration of Independence, published "Letters from the Federal Farmer," and Patrick Henry, even more recommended as a patriot, used the magic of his eloquence in a regular campaign in several states to defeat adoption.

Delaware and New Jersey, small states which had been particular objectors in the early stages of the Constitutional Convention, now ratified swiftly. Pennsylvania was brought in only after a long-drawn-out contest. Georgia and Connecticut, on opposite sides of the slavery question, found the constitutional compromise satisfactory, and consented promptly.

The result in Massachusetts was more doubtful. The contest was between the wealthier commercial district with Boston as the center, on the one hand, predominantly Federalist, favoring the Constitution, and the middle and western districts, filled with indebted farmers who had recently been "Shaysites." The holders of public securities which would be worth more if a strong central government were established, and merchants and shipowners who would benefit by firm trade treaties with foreign countries, were along the seacoast. Those who wanted the liberty of paper money and who feared taxes laid on land by a distant authority were in the hills and valleys to the westward.[1]

[1] Thus said Amos Singletary of Worcester County (Shays's country): "We contended with Great Britain . . . because they claimed a right to tax us . . . in all cases whatever. And does not this Constitution do the same? Does it not take away all we have — all our property? . . . They tell us Congress won't lay dry [that is, land] taxes upon us, but collect all the money they want by impost ["wet" taxes, or import duties]. I say . . . they won't be able to raise money enough by impost, and then they will lay it on the land, and take all we have got." He showed his suspicion of eastern men of personal property: "These lawyers, and men of learning, and moneyed men, that talk so finely, and gloss over matters so smoothly, to make us poor illiterate people swallow down the pill, expect to get into Congress themselves; they expect to be the managers of this Constitution, and get all the power and all the money into their own hands, and then they will swallow up all us little folks, like the great *Leviathan*, Mr. President; yes, just as the whale swallowed up *Jonah.*"

He was answered by a farmer from Berkshire in the extreme northwestern part of the

It was strongly urged that the Constitution ought not to be approved until it contained a bill of rights, and that a new federal convention should be called to consider this and other proposals. Washington interposed with a letter of advice which was decisive. "The Constitution is the best that can be obtained at this time. . . . The Constitution or disunion are before us to choose from." Samuel Adams approved, and the document was approved, with the ardent recommendation that the bill of rights now offered, guaranteeing freedom of speech, the press, and so on, should later be adopted. The event proved that this tactic answered every purpose, for the bill of rights, in the form of the first ten amendments, was generally desired, and became part of the Constitution in 1791.

While New Hampshire delayed to see what other states would do, Maryland and South Carolina ratified, despite the violent efforts of anti-Federalists. The adherence of these states defeated the plan of Patrick Henry that American nationality should be thrown out and a southern confederacy formed. Henry was animated partly by his fear that New England shipping interests would act to the injury of the South and Southwest. He made a last effort against the Constitution in the Virginia Convention. Virginia, if she ratified, would make the required ninth state, though, as we shall see, New York's acceptance was held to be necessary to the successful inauguration of a new government. The delegates from Tidewater, the district of large plantations and of commercial towns, and those from the Shenandoah Valley, settled by Scotch-Irish and Germans, were strongly for the Constitution. Those from the less fertile piedmont, a region of small farms, had not escaped the tactics

state, Jonathan Smith. "I am a plain man," Smith began, "and get my living by the plough. I am not used to speak in public, but I beg your leave to say a few words to my brother ploughjoggers in this house. I have lived in a part of the country where I have known the worth of good government by the want of it. There was a black cloud that rose . . . last winter . . . and burst upon us, and produced a dreadful effect. It brought on a state of anarchy, and that led to tyranny. . . . People that used to live peaceably, and were before good neighbors, got distracted, and took up arms against government." This reference to the Shays Rebellion brought cries of "order," and the question, "What had the history of last winter to do with the Constitution?" But Samuel Adams and others said the speaker was in order and should go on in his own way. "People, I say, took up arms; and then, if you went to speak to them, you had the musket of death presented to your breast. They would rob you of your property; threaten to burn your houses. . . . Now, . . . when I saw this Constitution, I found that it was a cure for these disorders. It was just such a thing as we wanted. . . . I did not go to any lawyer . . . I formed my own opinion, and was pleased with this Constitution. My honorable old daddy there [pointing to Mr. Singletary] won't think that I expect to be a Congress-man, and swallow up the liberties of the people. I never had any post, nor do I want one. But I don't think the worse of the Constitution because lawyers, and men of learning, and moneyed men, are fond of it. I don't suspect that they want to get into Congress and abuse their power. I am not of such a jealous make."

of the Shaysites of Massachusetts and had listened to Henry's appeal. The powerful influence of Washington, the spirited arguments of John Marshall, and the belated conversion of Governor Edmund Randolph helped in the struggle for ratification in Virginia. These and all other forces were summoned and applied by the skill and intelligence of James Madison, who made himself the Federalist general in the contest. It was his last appearance in the rôle of Federalist, for thereafter, in Congress and in the presidential chair, his courage yielded too much to caution.

Critical Contest in New York

The decision in Virginia, the most populous state, still hung in the balance during most of the six weeks of the New York Convention which met at Poughkeepsie. Here the prospect for ratification was for a long time desperate. Hamilton wrote that "Two thirds of the Convention and four sevenths of the people are against us." Governor Clinton, the adamant foe of the Constitution, with Melancthon Smith as his ablest debater, controlled forty-six votes, mostly from the interior of the state, against nineteen votes, mostly from New York City and the regions near it, which were favorable to the constitution. Melancthon Smith exculpated the old Confederation and demanded that the new Constitution, if it was to be accepted, be reversed in its object by adding to the powers of the states and subtracting from those of the central government. Hamilton answered by showing that procrastination and mere optimism invited national disaster, and that the government needed to be radically reorganized.

> I will not agree with gentlemen who trifle with the weaknesses of our country, and suppose that they are enumerated to answer a party purpose, and to terrify with ideal dangers. No. I believe these weaknesses to be real, and pregnant with destruction. . . . We contend that the radical vice in the old Confederation is, that the laws of the Union apply only to states in their corporate capacity. . . . What, sir, is the cure . . . ? Nothing, but to enable the national laws to operate on individuals, in the same manner as those of the states do.

Over and over again, in different ways, Hamilton stressed the foolhardiness of putting new wine in old bottles. Chancellor Livingston, John Jay, and others fell in behind Hamilton with determined support, while Melancthon Smith rested principally upon Lansing and Clinton,

the first vocal, the latter inarticulate but stubborn. Hamilton had the task of winning a hostile majority by force of reasoning. He was constantly on his feet, meeting this objection, anticipating another, driving his own convictions into the minds of the delegates. It was like pounding with a sledgehammer on a huge block of granite. For a long time it seemed as though no impression were being made, for the hammer just bounced off the solid mass of resistence. But unseen, the tensions which held the whole together were being destroyed. The block of opposition began to fall apart when Melancthon Smith "with great candour . . . confessed that Mr. Hamilton by his reasoning had removed the objections he had made." News that New Hampshire and Virginia had ratified, brought by racing express riders, completed the victory for a strong Union. On the last vote the minority of twenty-seven had been changed to a majority of three — a narrow margin, but strenuously gained, and enough. New York City celebrated the victory with a parade, and the float of the Federal ship bore the name "Hamilton."

With the ratification of New York it was certain that the new government would go forward, the powerful magnet pulling in North Carolina and Rhode Island. The former of these had adjourned a first convention without a decision, but ratified in November, 1789. Rhode Island, the little home of big issues of paper money, long refused even to call a convention, but eventually joined the other twelve states in May, 1790.

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Chapter 12

Revival of National Credit

THE FIRST SESSION OF CONGRESS under the Constitution, besides passing a tariff act, did little more than apply to the newly appointed Secretary of the Treasury to furnish it with a program of action. Hamilton, at the age of thirty-two,[1] had been named to this most important post on the recommendation of Robert Morris, though it is certain that Washington's own intimate knowledge of his former aide's capacities needed no reassurance. The problem which confronted Hamilton was a sobering one. The success of the national government hung first upon his ingenuity and judgment. Credit was a wreck. Currency, with an abominable history back of it, was disordered. The country had little credence abroad; at home little discipline, but only resolve and hope. The Treasury till was so bare as hardly to afford pennies for buying ledgers, ink, and quills with which to keep accounts. The preliminary period of constitutional argument was closed; now must come the equally trying one of devising ways and means which would establish the feasibility of the project. Hamilton's preparation for his new task, in practical experience, was nearly *nil*. As a boy he had clerked in a trading post in a remote West Indian island. As receiver of Continental taxes in New York State he had learned how hard it was to collect federal revenue. Both at the headquarters of the destitute army and as a member of Congress, he had witnessed the financial weakness of the Confederation. He had read what he could — an astonishing amount, considering his distractions — on public finance. A decade before he had diagnosed the country's economic maladies and prescribed for them in a few letters as modest as they were masterful.

Now, within less than two years, he submitted to Congress four main reports, the first two solving the problem of public credit, the third proposing a national bank, the last urging protection to American manufactures. He submitted also supplementary reports, often accompanied

[1] The statue in front of the Treasury shows him at the time of taking office — debonair but dignified too. The pedestal bears the well-known encomium of Webster: "He smote the rock of the national resources, and abundant streams of revenue gushed forth. He touched the dead corpse of public credit, and it sprung upon its feet."

Harris and Ewing

ALEXANDER HAMILTON

Statue in front of Treasury, Washington.

by draft bill, on mint and currency, a military academy, the post-office, the coasting trade, methods of collecting imposts and excises, and other matters. It must not be thought, however, that he started in the Treasury altogether from scratch, for he had long been formulating remedies in years when the robust America of the future existed only in ardent minds. These plans now took body in his state papers. He had the vexing assignment of providing immediate funds while he designed an ampler revenue system which should serve for the long future. As incidental evidence of his ability to comprehend these two duties at once, the accounting system which he devised for the Treasury has undergone little change to this time.

Hamilton's reports, besides containing the indispensable particular recommendations, were little essays on the general subject, which persuaded while they defined. He hoped for the opportunity to read them to Congress, but the opposition was afraid he would work a conjure in a personal appearance, and preferred to take them in writing. The precaution availed little, for the papers compelled by their clarity and buoyancy and grooved the minds of readers to the nearly inescapable track of his reasoning.

The secret of success of Hamilton's policy was that he made the central government the dominant force in the country. We had had enough of negative government, crippled and then discredited, suspected and later despised. The people and their dearest interests had suffered. For America as it then was, Hamilton believed in social control, not in letting social forces take their own course. Something has been made of Hamilton's debt to Adam Smith, whose *Wealth of Nations* he had studied with care. The obligation was technical and partial. In the springs of his economic policy, Hamilton did not follow, but refuted the Scottish philosopher. He drew inspiration from his young country, which was full of promise but needed guidance for effective performance. For the time being he centered attention upon the nation and its development, whereas Smith, prematurely as it turned out, regarded the world of nations and supposed that the same prescription of *laissez faire* suited all because it suited Britain. Hamilton was the first, in this country at any rate, to show how relative to time and place are economic principles.

A Program for Prosperity

Adam Smith, observing an old society about to bear the fruits of capitalist enterprise, was impressed by the importance of division of labor and

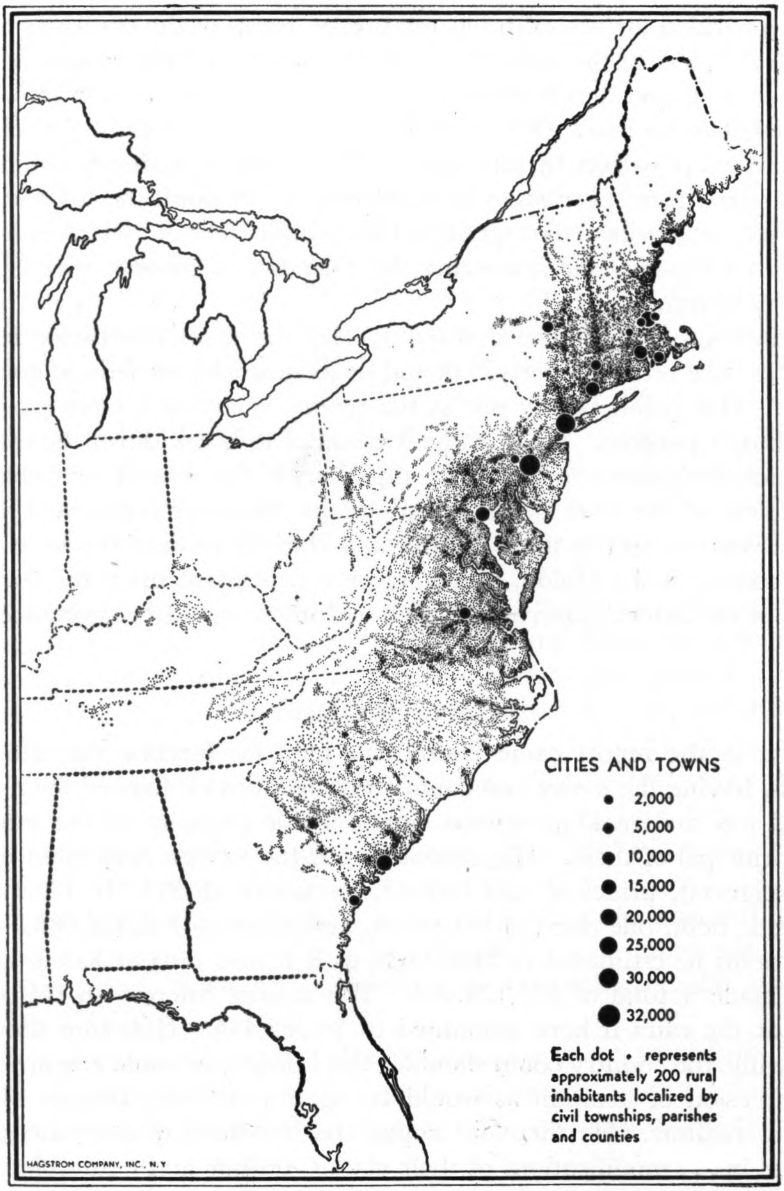
of specialization. Hamilton, in an economy which was by comparison inchoate and primitive, felt the necessity of association of effort. He made co-operation, in one way and another, the economic and political watchword of America. His genius, as since interpreted, has suffered an ironical inversion. He is often pictured as the strategist of property against popular liberty and well-being. It is said that he made the central government the tool of "the interests." As a matter of fact, he made the most powerful and consolidated interest which he could find — that of men of means — the instrument of government. It is true that he distrusted democratic wisdom and ability to make decision, but anyone who will trouble to follow his thought will be persuaded of his care for the prosperity of the whole population.

But if the central government was to plan and to execute, it must command respect at home and abroad. It must pay its debts and so be honest; it must promote production and so continue solvent. Financial integrity and economic unity, then, were the burden of the first report on the public credit, submitted to Congress in January, 1790, only three months after Hamilton took office. He saw that the great resources of the United States needed to be quickened and put to work by provision of a circulating medium and credit. We were like a sluggish body, requiring to have its tissues continually renewed and its senses set tingling by a pulsing blood stream. Most men regarded the debt as a grievous national encumbrance. It was of unknown size, mightily confused, had grown by neglect of interest, and this added magnitude had been added excuse for procrastination. But Hamilton presented to Congress a paradox: the debt should be made the engine of prosperity.

> To justify and preserve . . . confidence; to promote the increasing respectability of the American name; . . . to restore landed property to its due value; to furnish new resources, both to agriculture and commerce; to cement more closely the union of the States . . . — these are the . . . invaluable ends to be secured by a proper and adequate provision, at the present period, for the support of public credit. . . .

And then he added:

> It is a well-known fact, that, in countries in which the national debt is properly funded, and an object of established confidence, it answers most of the purposes of money. Transfers of stock or public debt, are there equivalent to payments in specie; or, in other words, stock, in the principal transactions of business, passes current as specie. The same thing would, in all probability, happen here under the like circumstances. . . .



DISTRIBUTION OF POPULATION, 1790

He went on to say that the part of the debt owing to foreigners "ought to be provided for according to the precise terms of the contracts relating to it." As to the domestic debt, he anticipated discussions, which became long and acrimonious in Congress, "whether a discrimination ought not to be made between original holders of the public securities and present possessors by purchase." This proposal to distinguish original holders from speculators he condemned. It would be a breach of contract, destroying "that quality of the public debt . . . which is essential to its capacity for answering the purposes of money; that is, the security of transfer. . . ."

Hamilton next proposed that the debts of the states, contracted in the main as "the price of liberty," should be assumed by the federal government. This point, briefly put in the report, occupied a large place in Hamilton's purpose. He thought it essential to break down the esteem in which the states were held as competitors of the central government. If holders of the state debts looked to the states for repayment, they would want to add to the authority and consideration of the states. If all creditors in the Union, however, were dependent upon the competence of the federal government, national unity would be promoted.

Funding the Debt

Next in the report came Hamilton's plan for funding the debts — that is, having the many and confused obligations exchanged for a simplified few and making definite provision for payment of the interest and principal of these. He estimated that the foreign debt (that owed to foreigners), principal and interest, amounted to $11,710,378. The domestic debt, one third of it interest, amounted to $42,414,085. The state debts he estimated (a little high, as it turned out) at $25,000,000. This made a total of $79,124,464. The annual interest on this total debt at the rates it bore amounted to $4,587,444. Hamilton thought that while the country could shoulder this burden, it would require such an extension of taxation as would be against the true interest of the public creditors. He therefore hoped that creditors would "cheerfully concur in . . . modifications of their claims, on fair and equitable principles. . . ."

The Secretary of the Treasury then proposed that holders of the old domestic debt exchange their securities for new debt according to any one of a number of optional plans. The effect of all was to reduce the rate of interest, but to give the creditors a certainty of payment together

with a promise not to redeem the debt for a stipulated time. No holder was obliged to convert old debt into new, but it was to his interest to do so because the rate of interest, since the government was firmly established, was expected to fall; if the creditor did not convert, he would likely find his interest ended, for the Treasury would make new loans and buy up the old debt, all of which was redeemable at pleasure.

Hamilton recommended establishment of a sinking fund, that is, Congress should pledge that a specified portion of the revenue should annually be set aside toward payment of the public debt. The plan was borrowed from the celebrated Dr. Richard Price, of England, whose sinking-fund scheme was adopted by the elder Pitt in 1776 and had influenced opinion in this country. The proposal was misconceived in some of its details, but these defects were outweighed by the assurance now given creditors that the public obligations would be discharged.[1]

Hamilton also recommended that the principal of the foreign debt ought to be paid out of new loans abroad. These could be contracted at a lower rate of interest, and would save a drain of cash that could ill be afforded at the time.

To meet the country's obligations Hamilton relied upon the proceeds of the sales of western lands, import duties, and duties on spirits distilled in the United States. The latter recommendation was not adopted until the next year. The Funding Act of August 4, 1790, authorized a loan of $12,000,000 to repay the foreign debt. A second loan should be for the full amount of the federal domestic debt, subscriptions to be paid in any of the many sorts of obligations outstanding, from regular securities to notes given by impressing quartermasters for hay and horses, except that the paper money was to be received at 100 to 1. A third loan for $21,500,000 was to cover the debts of the states assumed by the national government and was to be subscribed in the state certificates. As it turned out, however, the amount of state debt actually assumed was $18,271,786.

When this first report on the public credit came on for debate in the House late in January, 1790, Jackson of Georgia wanted the discussion postponed several months, that he might get the sentiment of the legis-

[1] Mildred Otenasek's close study of *Hamilton's Financial Policies* (manuscript in Johns Hopkins University Library) shows that the reports were written with a remarkable awareness of authorities in the fields, both writers and statesmen. He especially followed English precedents. Mrs. Otenasek has dispelled the notion that Hamilton's proposals were strokes of genius merely. Manuscript notes of titles of books and essays, found by Mrs. Otenasek among the Hamilton papers and not hitherto mentioned by students, show that Hamilton informed himself widely.

lature of his state on the proposal of assumption. His real purpose was to give his distant constituents time to learn the intentions of the Treasury so that they might refuse to sell their securities at low prices to speculators. Jackson was a noted duelist, and was as ready with his parliamentary shots as with his pistols. He declared:

> Since this report has been read in this House a spirit of havoc, speculation, and ruin has arisen, and been cherished by people who had an access to the information the report contained, that would have made a *Hastings* blush to have been connected with, though long inured to preying on the vitals of his fellow men. Three vessels, sir, have sailed within a fortnight from this port [New York] freighted for speculation; they are intended to purchase up the State and other securities in the hands of the uninformed, though honest citizens of North Carolina, South Carolina, and Georgia. My soul rises indignant at the avaricious and immoral turpitude which so vile a conduct displays.

Gerry of Massachusetts was one of several who refused to be alarmed at the undoubted speculation, holding that this market for its debt was necessary if a government were to borrow. Foreigners might make this country "indirect loans" by buying the debt. "Hence it has been thought, that a public debt is a source of great emolument to a nation, by extending its capital, and enlarging the operations of productive industry." Thus, Great Britain, during the Revolution, "increased her national debt to an astounding degree; and when all Europe expected to see her sink beneath the burthen, she stood firm and fixed as ever, with an increase of strength. The influx of specie, after the peace, to purchase into her funds, furnished the means for the expansion of her commerce and manufactures, and rather made the revolution an advantage than a disadvantage to her."

Jackson still fired away at the speculators, who wanted to get hold of the securities at low prices before it was known by their owners that the federal government would redeem them. The long postponement of debate was defeated, and within ten days the House began discussion. At first there was silence. Then William Smith, the South Carolina Federalist, speaking for the Treasury, though of course he did not declare this, offered some guiding principles. Congress ought not to adjourn until they had provided for the public debt; there should be no discrimination between original holders and assignees; debts of the states incurred for war purposes should be assumed by the national government; arrears of interest of Continental and state debts should be consolidated with the principal, and all funded together.

Jackson, the Georgian, expressed the agrarian dissent from the funding system, which, though beaten, lingered long. "The funding of the debt will occasion enormous taxes for the payment of the interest. These taxes will bear heavily both on agriculture and commerce. It will be charging the active and industrious citizen . . . to pay the indolent . . . creditor. . . ." Frontier representatives thought the domestic debt could be pared greatly, since much of it was incurred for depreciated paper. The debt had sold for three or four shillings in the pound, but was then eight or ten shillings. Could any possible wrong be done to those who held the domestic debt by estimating it at its current value? But Fisher Ames and others supported the position that debts were inviolable public contracts, not subject to legislative modification.

Madison was chief of those who insisted that the government should not favor present holders who had bought the debt at part of its original value. His fault lay in being scrupulous beyond what was feasible. He acknowledged that any claims of intermediate holders, who had bought depreciated securities and sold them after they had depreciated further, were so complicated as to "lead . . . into a labyrinth, for which it is impossible to find a clew," and must be neglected.

> The only rival pretensions, then, are those of the original creditors, who have assigned [sold], and of the present holders of the assignments. . . . One of three things must be done; either pay both, reject wholly one or the other, or make a *composition* between them on some principle of equity. To pay both is perhaps beyond the public ability. . . . To reject wholly the claims of either is equally inadmissible. . . . let it [the composition, or compromise] be a liberal one in favor of the present holders . . . and let the residue belong to the original sufferers.

Federalists showed that this scheme of discrimination was administratively impracticable. It did not give the equity that it aimed at. For instance, it did not satisfy "the claims of those who have received of the Government Continental money, which they afterwards parted with for ten, forty, or one hundred for one." Madison's expedient would involve endless detail in revealing old transactions and fixing claims.

After a long and bitter debate the Treasury plan won in Congress. The persons who held the certificates of debt were to be paid face value with interest, though the outstanding Continental paper money was to be redeemed at 100 for 1 in specie.[1]

[1] Years afterward Jefferson wrote with undiminished resentment of "the base scramble" which ensued: "Couriers and relay horses by land, and swift sailing pilot boats by sea, were

Federal Assumption of State Debts

The determination to honor the domestic debt, by whomever held and without discrimination, was important in establishing the faith of the new government. The proposal that the central authority assume the war debts of the states, which next came forward for debate, had a political as well as an economic purpose. Hamilton and his supporting Federalists, as we have noted, meant that the assumption should accomplish more than tidiness in the funding scheme; that it should cement the Union by attaching the creditor interest to the national, not to the state, governments. Jefferson had but just come on the scene from France, where he had been our Minister, with some reluctance yielding to President Washington's plea that he accept the post of Secretary of State in the first Cabinet. Though flushed with "the fervor of natural rights," he did not at first perceive the consistency of the Federalist purpose to aggrandize the national authority, as did his colleagues who had been on the ground and had watched policies developing. The debate had been fierce, punctuated with threats of disunion. In general the southern states had had smaller war debts than the northern, and had made more headway in repaying or repudiating them, so that they were most vocal against the assumption. The proposal had been carried in Committee of the Whole, but when the delegates from North Carolina arrived and voted with their section, it had been lost in the House. Jefferson said later that "This measure produced the most bitter and angry contest ever known in Congress, before or since the Union of the States." Madison had pointed out that, if the assumption carried, Virginia would have to pay five millions instead of the three millions which would serve to meet her own obligation. To make the assumption more distasteful, an excise tax, or as we would say today, an internal revenue tax, on whiskey to provide for interest on the state debts was a part of the proposal. Madison declared that an excise was "peculiarly obnoxious" to Virginia, as she would be compelled to pay more in excise than in direct taxes laid according to representation. "The payments of those parts of the Union that would receive least benefit from the assumption would be greater than from those that would receive the immediate benefit of it."

flying in all directions. Active partners and agents were associated and employed in every State, town, and country neighborhood, and this paper was bought up at five shillings in the pound, before the holder knew that Congress had already provided for its redemption at par. Immense sums were thus filched from the poor and ignorant, and fortunes accumulated by those who had themselves been poor enough before."

Hamilton was profoundly disturbed by the political posture and determined to get the House to reverse itself on the assumption measure and adopt it. Meeting Jefferson in the street one day, he persuaded him to consider changing enough southern votes to pass the assumption. Jefferson invited Hamilton, with some partisans of both sides, to dine with him next day, believing that a compromise could be arranged. The southerners had succeeded, by a slight majority, in selecting the Potomac as the site of the future national capital, northern delegates having contended for Philadelphia or Albany. Here was the chance for a bargain. In return for assumption, the South, after leaving the capital for ten years at Philadelphia, might have it permanently at Georgetown, now District of Columbia. According to Jefferson,

> two of the Potomac members (White and Lee, but White with a revulsion of stomach almost convulsive) agreed to change their votes, and Hamilton undertook to carry the other point. . . . the influence he had established over the eastern members, with the agency of Robert Morris with those of the middle States, effected his side of the engagement; and so the Assumption was passed. . . .[1]

Controversial Excise Tax Carried

Congress had declined to lay an excise on spirits distilled within the United States, though the Secretary of the Treasury had recommended it in his first report, and laid lower duties on imported spirits than had been urged. All the import duties, enacted in 1789, were low. The result was that federal revenue threatened to fall short of what was needed to meet the interest on the public debt by $826,000, most of this being required for the interest incurred in assuming the debts of the states. Hamilton was asked to recommend sources of additional income, and in a report of December, 1790, simply reinforced his original plan, calling for higher duties on imported spirits and for taxes on domestic distillers. The real difficulty was with the latter suggestion. Hamilton had urged the whiskey tax not only because it would tend to discourage

[1] Jefferson for the rest of his life was pestered by reminders of his part in this trade, for it turned out that the location of the capital was of no consequence, while the assumption remained a thorn in the flesh of Jefferson's southern Republican followers. So Jefferson tried to excuse himself at Hamilton's expense. When the Federalist leader had been twenty years dead, and few could answer for him, Jefferson wrote that "to this [assumption game] I was most ignorantly and innocently made to hold the candle." This does not square with evidence of his participation contained in letters at the time of assumption. His later protestation, at best, had the effect of freeing him from the charge of having been a knave only to convict him of having been a fool.

the consumption of strong drink, to which Americans were too much addicted, but because it was an indirect tax, would be wrapped up in the retail price, and thus be borne by the consumer without his recognizing it as a tax.

He anticipated and refuted proposals that taxes on land and higher general import duties be substituted. He was always opposed to a land tax. His fundamental objection probably was that a land tax, hitting the only kind of property possessed by most Americans, would be exceedingly unpopular. A people hostile to taxes anyway and untried in their loyalty to the central government must be levied upon indirectly, and in a fashion of which they would not be so immediately and acutely conscious. A tax on houses and lands ought to be reserved for some most important purpose, such as national defense, which would win the consent of everybody.

Duties on the mass of imports were as high as merchants thought they could well stand, and so should not be increased. The merchants had been well disposed toward the new national government, and their sense of what was reasonable ought not to be disregarded. Merchants had to advance the duties before selling the goods imported, and higher duties would put a strain on already inadequate mercantile capital, especially in those parts of the country which did not have banks. Furthermore, it was desirable to vary the sources of public funds, so as to stabilize government income.

There was objection to the internal tax on distilled spirits because it would multiply officers of the federal government, because it would lead to inquisitorial prying by inspectors and collectors, and because whiskey was a principal article of manufacture of the western settlers who had little else that they could sell in distant markets. The first observation was undeniably true. On the second point, regarding the visits of collectors, and so forth, Hamilton tried to reassure Congress. While efficient administration of such a tax must rest upon "the vigilance of the public officers" rather than upon the oaths of those interested in avoiding payment, he explained elaborate precautions, in the plan he proposed, to avoid arbitrary or inconvenient action on the part of government agents.

Substantially these proposals were enacted into law in March, 1791. Duties on spirits distilled from foreign materials (this meant rum) were from eleven to thirty cents per gallon; upon those distilled from domestic materials (whiskey) the duties were from nine to twenty-five cents per gallon. In spite of violent opposition encountered in collection of the

latter and a consequent lowering of the rates, this tax yielded more than two hundred thousand dollars in 1792 and increasing amounts afterward except for a decline in 1794, the year of the "Whiskey Rebellion" which we shall describe presently.

Laissez Faire Not Appropriate

Hamilton's *Report on Manufactures*, submitted to Congress in December, 1791, is one of the great American state papers and in a sense may be termed the first American treatise on political economy. This paper, while based upon a very particular inquiry into the country's experience with manufactures of all kinds, and while concluding with specific legislative proposals, is concerned primarily with the largest principles of economic efficiency and national prosperity, and is philosophical in its approach to the problem.

Its principal contribution, which gives it place in the history of economic thought as well as in that of administration, is its bold refutation of the assumptions of *laissez faire* as applied to this young country. Two powerful influences had inclined many to the belief that government ought not to intervene in economic activity, that it should confine its functions within the narrowest limits. These influences were the thought of the French Physiocrats and of Adam Smith, on the one hand, and, on the other, the impatience of Americans with commercial and other restrictions, learned in the years when they had suffered under British colonial control. The *Wealth of Nations* and the Declaration of Independence were published in the same year.

Hamilton's was the first ringing voice, certainly in this country, to call for an examination of the popular dogma of commercial liberty. His close study of the work of Adam Smith did not persuade him to adopt the free-trade policy in America's situation. But his protest was more universal. In the earliest years of power-machine industry he proclaimed, contrary to the prevailing view, that manufactures were equally productive with agriculture. In any event, the two were interlocked and mutually beneficial. His plea for import duties which should protect young American manufactures was encouraged by two previous tariff acts, and was in answer to the order of Congress that he prepare a plan for carrying out a recommendation of President Washington in his first annual message, that a free people "should promote such manufactories as tend to render them independent of others for essential, particularly military, supplies."

The Secretary began by pointing to the new sentiment in favor of encouraging manufactures in the United States. This was because other countries had erected barriers against our goods, and it was necessary to create a market for them at home. However, he reviewed the arguments, still sufficiently popular, against such a policy. They were: (1) "Agriculture is the most beneficial and productive object of human industry." This was held to be particularly the case in the United States, with its immense tracts of uncultivated fertile land. (2) "To endeavor, by the extraordinary patronage of government, to accelerate the growth of manufactures, is . . . by force and art, to transfer the natural current of industry from a more to a less beneficial channel." The public prosperity would be best promoted by trusting to "the quick-sighted guidance of private interest." (3) America had peculiar disabilities for manufacturing. Population was sparse and always tended to scatter, the artisan could easily become an independent farmer, and so there must be a scarcity of hands for industry. Furthermore, there was a fatal lack of capital. (4) Artificial promotion of manufactures would sacrifice the interest of the community to that of an industrial class. It would be better to give all effort to agriculture and exchange its products for superior and cheap manufactured wares which foreigners would furnish.

This reasoning was accurate, he conceded, in principle; that is, complete freedom of enterprise and of international trade was most promotive of prosperity for all countries, except that some had chosen not to follow it, and so others, including America, could not afford to. He examined the claims for the superior or exclusive productiveness of agriculture, and found them plausible rather than convincing. Agriculture would be benefited by the encouragement of manufactures.

It was to the interest of a nation to diversify its economic effort. This proposition, like all else in the *Report*, became a cardinal insistence of Hamilton's disciples down through the years. A generation later writers pointed out that countries depending entirely upon agriculture were stagnant and uninventive and were likely to become the economic vassals of industrial countries with which they traded. It was enough for Hamilton to urge the positive benefits from manufactures if established by the side of agriculture. Manufactures furthered the division of labor and the use of machinery, gave employment to some not otherwise engaged, promoted emigration from other countries, furnished scope for diversity of talents, opened new fields for enterprise, and gave a sure demand at home for surplus produce of the soil.

GOVERNMENT SHOULD FOSTER MANUFACTURES

The United States, as things stood, could not exchange with Europe on equal terms. Europe was able and ready to sell us manufactured goods, but did not want to take our agricultural staples. So we must manufacture for ourselves. Hamilton was mindful of the arguments declared in debates by members of Congress, that enterprise would find the most profitable employment if left to itself. This he denied. Government aid to manufactures was necessary in our country in order to overcome the inertia that tended to confine us to agriculture, to allay the fear of failure, to overcome the handicap of trying to compete with established industry elsewhere and the bounties and premiums given to manufacturers in other nations.

Hamilton replied to the objections that manufactures could not flourish in America because labor was scarce and expensive and capital was lacking. He admitted that the supply of labor was small, but we could attract skilled immigrants. If hands were scarce for manufactures, they were also scarce for commerce and navigation, but these employments were manned. American manufacturers could afford to pay higher wages than were paid in Europe, because raw materials were cheaper here and the expense of bringing European manufactured goods to this country was fifteen to thirty per cent of their value. He believed we would find capital for the development of industry as for any other profitable object. Foreign capital might enter, and the public debt could be used as a foundation for industry. The productiveness of the debt, as a basis of credit, was a favorite theme with Hamilton. This amounted to the proposition that what was needed to introduce industry in a country was the direction of a proportion of the effort of the people into that channel. Hamilton anticipated the discovery that industry is not limited by capital, but that truly capital is limited by industry. Accumulated savings are not the material means of starting manufactures, but are simply the permission which we give ourselves to apply productive labor in a new direction. Since the government had resolved to pay its debts, all credit was bolstered, and private borrowing could open the way to productive undertakings. But the real answer to objections was in pointing to what had been achieved in manufactures already. Here Hamilton drew upon information systematically gathered for him, in all probability, by his assistant in the Treasury, Tench Coxe.[1]

[1] These data have been published in A. H. Cole, ed., *Industrial and Commercial Correspondence of Alexander Hamilton Anticipating his Report on Manufactures.* Chicago, 1928. See Harold

He gave instances of the successful manufacture of skins, iron, wood, textiles, clay, spirits, paper, furs, copper, tin, tobacco, gunpowder, and others. Besides, there was "a vast scene" of manufacturing in the homes of the people, in the South as well as in the North, in some parts filling the domestic demand and even supplying goods for export.

So much for the feasibility of manufactures in America. Hamilton then tried to disabuse the mind of Congress of the contention that import duties or other means of discriminating against foreign manufactures would always and permanently raise the price of such industrial products in America, and oblige especially the agricultural part of the community to pay more for manufactures than would be the case if free trade prevailed. Alarm was misplaced, because,

> When a domestic manufacture has attained to perfection, and has engaged in the prosecution of it a competent number of persons, it invariably becomes cheaper. . . . The internal competition which takes place, soon does away every thing like monopoly, and by degrees reduces the price of the article to the minimum of a reasonable profit on the capital employed.

This statement, like all else in the *Report*, became a staple of controversy and was to be repeated later in American history times without number. It was true in theory and practice so long as production remained on a small scale and equipment and all the other means of carrying on an enterprise were within the means of many. Later, as we shall see, the tariff did promote monopoly, with consequent control of prices and production.

The difficulty of the country in supplying itself with manufactures during the Revolution taught that the establishment of American industry was the "next great work to be accomplished." It has generally been said that this *Report on Manufactures* embodied the only recommendations of Hamilton which were not substantially adopted by his contemporaries, and that the *Report* was not translated into action until after the War of 1812. This is hardly true; most of his proposals were adopted, not all at once, but from year to year. The scale of import duties was low, but for various reasons was considered sufficient for the encouragement of manufactures.[1]

Hamilton's proposals for import duties were made on the principle

Hutcheson, *Tench Coxe,* on the question of Hamilton's possibly deeper indebtedness to his colleague for the argument of the *Report on Manufactures.* Coxe was always a leading advocate of the development of industry in America.

[1] See Edward Stanwood, *American Tariff Controversies of the Nineteenth Century,* vol. I, pp. 97 ff.

that high protection should be given to those articles which we could already, or would soon, produce in sufficient quantity for our own use; lower duties should be accorded those where the advance in home production was promising, but had not yet arrived at a state to supply domestic wants; and purely revenue duties on articles which we could not make or on mere luxuries. He advised bounties in several instances — that is, sums to be given by the federal government to manufacturers of an article — sailcloth, for example — because bounties were more certain in effect than import duties and did not raise the price to consumers. He wanted to encourage American manufactures by offering premiums for excellence or invention and by bringing in foreign artisans and machinery. Stimulation of industry by all these means was authorized by the "general welfare" power conferred in the Constitution. This was not limited, as many have supposed, but the phrase was intended to be "as comprehensive as any that could have been used."

Utility of a United States Bank

Hamilton, during the Revolution, had urged on Robert Morris the creation of a national bank as one means of rescuing the disordered finances. He twice presented arguments, the second time with a plan for the bank worked out in great detail, and his advice undoubtedly contributed to the establishment of the Bank of North America in 1781 at Morris's instance. Ten years later, December, 1791, Hamilton as Secretary of the Treasury submitted his recommendation of a new national bank. While not ruling out the conversion of the Bank of North America to this purpose, he considered that institution, unless it underwent radical changes, not a suitable foundation on which to build. It had accepted a charter from Pennsylvania, it did not occupy in law or in fact a national position, its capital was too small, it did not have rotation in its board of directors, and so on. The objections outweighed the gratitude owing to it for past services, and a new establishment was urged.

Hamilton began by showing the function of banks and the utility of a national one to both trade and government. Besides the Bank of North America, there were only two other banks in the United States, that of New York, which Hamilton had helped to found, and that of Massachusetts at Boston. Banks in general were viewed with profound suspicion as contribution to usury, speculation, fraud, and the banish-

ment of gold and silver. America was overwhelmingly agrarian, so that a national bank of all others was apt to be distrusted as a design of dangerous monopoly. Hamilton's exposition was well advised, though no amount of argument could prevent the fatal attacks which were to be made on central banks in this country.

Banks, the Secretary showed, conserved money capital by founding deposit credit and note issues upon it. Bank-note issues were superior to government paper money because less likely to become extravagant in amount. The completest safe use of America's slender cash resources was necessary to the progress of the country. The plan which he set forth for a national bank further conserved gold and silver by providing that three fourths of the private subscription of capital was to be in government bonds. This requirement would bolster the public credit, and further, without it the bank capital could not be of the necessary size of ten million dollars for it was not possible to collect so much gold and silver in the country at that time.

Four fifths of the capital should be subscribed by private persons or corporations in the manner mentioned. The remaining fifth was to be subscribed by the United States government in cash from the proceeds of the foreign loan already authorized. The government was then to be given a loan of equal amount by the bank, which loan, in the form of bank notes, would be applied to the purposes for which the government had borrowed abroad. The government debt to the bank was to be repaid in equal installments over a ten-year period. This plan of a government subscription would accomplish several purposes: it would give the bank more cash and so increase the scale of its operations; it would furnish the government with bank notes which were sufficient for its purpose; and it would be a positive gain to the Treasury by any excess of bank profit above the interest on the loan.

Hamilton urged that the bank be managed by directors chosen by the stockholders according to a plan which would give preponderant weight to the private interest. To protect the public investment and the national welfare, the Secretary of the Treasury should be furnished with reports of the condition of the bank and have the right to inspect its accounts. This would be superior to affirmative public control. "To attach full confidence to an institution of this nature," observed Hamilton, "it appears to be an essential ingredient of its structure, that it shall be under a *private*, not a *public* direction, under the guidance of *individual interest*, not of *public policy*," which last would be likely to degenerate into "*public necessity.*"

Mutual Benefit to Government and Investors

Thus, Hamilton, in the bank, joined private interest with public utility. It has often been charged that the bank, which was established in 1791 as the result of this report, was a device of Hamilton for handing over national power and policy to moneyed men. A reading of the report refutes this idea. The new national government and private resources, being alike weak, needed the support of each other. Further, it was a bank which he was planning, not a legislature or standing army, and he was dependent in such an enterprise on the association with government of men of means if the capital were to be gathered. He rejected the erection of the Bank of North America into a national institution partly because he thought it likely to be too exclusively attentive to private interest. He declared that "Public utility is more truly the object of public banks than private profit." The Bank of England was much in Hamilton's mind as a pattern for the American central bank. It combined public and private credit; indeed, its original capital was a private loan to government. That he took the Bank of England as an example was one reason why opponents said he leaned too much toward British influence. Besides augmenting the active capital of the country, such a bank would aid the government in the collection of taxes and the disbursement of interest on the public debt. It would become the fiscal agent of the Treasury.

Heated discussion of the constitutionality of a United States Bank persuaded President Washington to call on his department heads for their written opinions. Those of Jefferson, Secretary of State, and of Edmund Randolph, Attorney-General, denied the authority of Congress to erect such a corporation. These adverse views Hamilton answered by showing that the plenary position of the federal government in the sphere assigned to it conferred the implied power to set up agencies to carry out its responsibilities. This doctrine of "implied powers," afterward affirmed notably by Chief Justice Marshall, became the means of rendering the federal government effective over a broadening field. The constitutional literalists could say with truth that the establishment of a bank was not found in the list of duties delegated to the central authority. Hamilton expounded rather the spirit and necessary intent of the fundamental law, reasoning that the national jurisdiction would be fatally contracted unless it were permitted many agencies which the Constitution could not enumerate.

The Bank of the United States (later known as the First Bank) was

chartered in 1791 for twenty years, the central office being in Philadelphia, then the seat of government. It had a useful career as regulator of the currency and as auxiliary of the Treasury, but so incurred the hostility of those opposed to centralizing tendencies that it failed of recharter in 1811. The war period following soon after, with its rash expansion of state banks, made all realize that disestablishment of the First Bank had been unfortunate. The Second Bank was chartered in 1816.

Beginnings of Corporate Enterprise

We may supplement our discussion of public finance at the outset of the new national government with a brief account of business finance as illustrated by the rise of corporate enterprise.

The corporation had promptly made its appearance in the colonies. It was a form already familiar in England in public corporations (boroughs), in charitable and educational undertakings, and in the great monopolistic trading companies. Indeed, America had been explored and colonized mostly by corporations. During the colonial period each advance in variety of corporate enterprise in the mother country was reflected in practice on this side of the Atlantic. The usual corporate privileges were those of having a name and seal, the right to make and alter by-laws, to hold property, to sue and be sued, and to have "perpetual succession," which meant that the corporation was not dissolved when members left or entered. Shareholders enjoyed limited liability; that is, they were not responsible for the debts of the corporation beyond their individual investments in it.

Colonial corporations were chartered by legislatures, governors, and proprietors, except a few which were chartered in England directly by the Crown. As we would expect, the great majority of colonial corporations were public in nature, such as cities, towns, boards of poor relief, and so on. Even where they were private, they partook strongly of public purposes, whether religious, educational, protective, or utilitarian, as in matters relating to water supply, roads, and bridges. In spite of sparse population, however, diversity of interests, and lack of capital, labor, and techniques for large-scale enterprise, there were a few distinctively business corporations of American colonial origin — for building wharves, supplying water, writing insurance, and trading. None fell in the categories which are important today, such as banking, manufacturing, transportation, and mining. The number of colonial corpora-

tions, particularly private ones, was increasing rapidly in the twenty or thirty years preceding the Revolution.

Naturally, few corporations were formed while government and people were preoccupied with the struggle for independence. When this was won, many elements conspired to increase the number of incorporations, as Professor Davis has shown.[1] The victory conferred confidence. If the greatest project, that of independence, had succeeded, why should not collective enterprise be promising in turnpikes, canals, banks, and manufactures, all necessary to political and economic progress of the new nation? Leading men had learned to work together; they had more capital than before the war; immigrants and discharged soldiers offered themselves as workers. After the national government was established under the Constitution, political stability encouraged economic ventures. The funding of the debt and the growth of banking gave a basis for credit. States, as distinguished from colonial authorities, granted charters readily. Indeed, general incorporation acts, under which non-business corporations received charters merely on complying with a specified procedure, were soon passed. As a result of business recovery and the success of the new government, more than three hundred corporations came into existence between the conclusion of peace and the end of the century, most of these after 1789. More than half the charters were granted by New England states, where there was accumulated capital, a large commercial class, a relatively dense population requiring many public services, and where land did not attract investment as in the South.

Though a few of these early corporations had capital of a million dollars, the majority had no more than fifty thousand dollars. The companies constructing means of transportation were the most numerous, two thirds of the total, while financial corporations numbered 20 per cent, local public-service companies for water and so forth, 10 per cent, and "business" corporations, mostly in manufacturing, accounted for only 4 per cent. Some twenty-five of these early corporations are in existence today. The companies whose projects required least technical skill in construction and least ingenuity in management, such as those for banking, insurance, and toll bridges, succeeded best; companies building highways did fairly well; inland navigation and manufacturing corporations were often disappointments to their investors.

Not only was there control of some corporations by a few large investors at the outset, but a general tendency toward concentration of

[1] Joseph S. Davis, *Essays in the Earlier History of American Corporations*, 2 vols.

ownership, so marked a feature of present-day corporations, early showed itself. The fear of this development figures prominently in contemporary opposition to granting charters. Western legislators, from a district where wealth was especially evenly divided, were among the most emphatic in their hostility. Thus, Finlay, from western Pennsylvania, spoke against the Bank of North America, fearing that "If the legislature may mortgage, or . . . charter away portions of . . . the privileges or powers of the state — if they may incorporate bodies for the sole purpose of gain . . . the consequence is, that some foolish and wanton assembly may parcel out the commonwealth into little aristocracies, and so overturn the nature of our government. . . ."[1]

Best known of the incorporated industrial enterprises was the Society for Useful Manufactures. Its fame is due to the distinction of its sponsors, the ambitious character of its plans, and its unhappy failure. Its inception was the joint work of Tench Coxe and Alexander Hamilton at the time when both were engaged on the *Report on Manufactures.* The enterprise was to give a demonstration of what could be done in developing manufactures in this country. Hamilton contributed his favorite plan of financing, which was subscriptions in stock of the United States and of the Bank of the United States, this to be used as collateral in borrowing cash for construction and operations. The site was chosen at the main falls of the Passaic River, New Jersey, and the town to be built was called Paterson.[2] The charter permitted the company to have a capital of four million dollars, to manufacture almost anything, to develop and sell land, to cut canals and improve navigation, and to conduct lotteries for its benefit.

Difficulties beset it from the beginning. Of more than half a million dollars subscribed, less than half was ever paid in. Delays in selection of a site, the financial panic of 1792, tardiness in centering authority in an efficient general manager, and trouble in securing experienced workmen — all contributed to disaster. A more modest start, such as that of Almy, Brown, and Slater at just the same time in Rhode Island, would have been more prudent in a country so lacking in industrial training and tradition. The company did develop the waterpower to some extent, built a cotton mill and print works, and put up some

[1] Quoted in J. S. Davis, *Earlier History of American Corporations*, p. 304. And that arch-democrat, John Taylor of Caroline (Virginia) a few years later found no warrant for erecting corporations, which "are only deeds of gift . . . for portions of valuable *common* rights; and *parts* may be disposed of, until the whole is distributed among a few individuals."

[2] The full history of the "S.U.M." is given in J. S. Davis, *Earlier History of American Corporations*, vol. I, pp. 349–518.

homes for workmen, but active operations came to an end in 1796. It taught the expensive lesson that for a generation to come manufacturing establishments, to succeed, must be conducted and owned by practical mechanics rather than by absentee capitalists. Lowell and the other Massachusetts textile towns were not to arise until after the second war with England.

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Chapter 13

Domestic and Foreign Policy

THE SO-CALLED WHISKEY INSURRECTION OF 1794, with its center in the westernmost counties of Pennsylvania, displayed the differences in economic life on the two sides of the Alleghenies and the corresponding differences in political sympathies. It highlighted the necessity of developing means of transportation between East and West if the latter was to remain loyal to the United States. It also furnished the first clear test of the authority of the new national government.

The insurrection was directed against collection of the excise tax, first laid in 1791, on domestic distilled spirits, chiefly whiskey. The opposition was bound up with hostility of the frontier to the funding system, and especially to the assumption of the state debts, for proceeds of the excise were to be used for paying interest on these. The insurrection reached high tide when, in August, 1794, some seven thousand militiamen gathered under arms and, for a show of force, threatened to burn near-by Pittsburgh.

Many circumstances conspired to make the West oppose the federal excise. The settlers had little benefit from the distant central government, which had not opened the Mississippi to their flatboats nor put a stop to Indian raids. Shut off from the East by the mountain wall, and joined by common habits in their own little democracies, the Westerners were none too ready to respect state governments, much less a national one. The dispute between Virginia and Pennsylvania as to which should possess the Monongahela country had thrown the people on their own. The success of Pennsylvania in this quarrel had established the titles of land speculators, which meant that the actual settlers, who opened and defended the country, were put under tribute to the East. The West lived within itself largely by barter, and its little cash was drained away to the East to pay landowners, importers, and manufacturers. The West wanted a land tax, or declared that it did, to compel eastern land speculators to sell promptly and reasonably to settlers, but the Federalists in control of the government feared that such a direct

levy would put too great a strain on the uncertain political loyalty to the new national system.

The West, particularly the five western counties of Pennsylvania, had far more distilleries in proportion to area and population than did the East. Some twelve hundred, or a fourth of those in the country, were in this district. Along the Monongahela River most of those built of logs have disappeared, but one may see stone distilleries to this day. Whiskey appeared at weddings and wakes, jugs of it were set out in the harvest field, it was on the family table. A tax on whiskey was, therefore, an invasion of custom of the West and a deprivation of cash; for the distiller, large or small, if he paid the tax, had trouble in finding the money, and was by no means certain of recouping by raising the price to the buyer. Pennsylvania had had excises on distilled spirits from the earliest colonial times, but these laws were regularly disregarded. The colonies, like England, execrated excises.

The small farmers across the mountains got what cash they received mainly by the sale of their whiskey. Their crude products — grain, lumber, meat — had little value in proportion to their bulk and weight and could not be profitably transported by land. Bribery of the Spanish at New Orleans might permit a profit for a few large shippers down the rivers, but this trade did not embrace the average producer. A pack-horse could carry only four bushels of rye over the arduous trails across the mountains; but if the grain were turned into whiskey he could carry twenty-four bushels. The whiskey was worth fifty cents a gallon, and sometimes only half as much west of the mountains, but a dollar a gallon in the eastern markets. Thus, it was mainly with whiskey that the Westerner bought the necessities, such as iron and salt, which his otherwise self-sufficing economy could not furnish.

We may pause long enough to give some picture of the life of the people in western Pennsylvania at this time. All visitors testified to the lack of ready money. When George Washington was in the Monongahela country in 1784, trying to get some revenue from his extensive landholdings there, he recorded: "The Plantation on which Mr. Simpson lives rented well — viz for 500 Bushels of Wheat . . . the little chance of getting a good offer in money, for Rent, induced me to set it up to be bid for in Wheat. . . ." All of the merchants took country produce in payment for their wares, one of them advertising that he would accept "Flour, Whisky, Beef, Pork, Bacon, Wheat, Rye, Oats, Corn, Ashes, Candlewick, Tallow, &c. &c." Ginseng (a medicinal wild root), whiskey, and furs were among the few articles sufficiently in demand in the

East to warrant sending them back by the packtrains, and later wagons, which brought out salt and manufactured goods. John May, a Connecticut trader, shipped five tons of merchandise from Boston to Baltimore by schooner in 1789, then freighted them across the mountains to Brownsville on the Monongahela at a cost of eight pounds per ton, not including ferry charges. He began by accepting ginseng, then took furs, and after a summer's barter along the Ohio found that his pay loaded fourteen pack-horses for the return journey to the East.

The West was almost as short of labor as of cash. After the Revolution, settlement redoubled; many who had intended going on northwest or southwest were content to stop in the valleys of the Cheat, Monongahela, and upper Ohio, so this region by 1790 may have contained sixty thousand people. But who would work for another when there was good land to be had for little or nothing, and when the only pay was in produce which one could grow for oneself? There were few slaves, and in 1780 Pennsylvania made provision for the gradual emancipation of these. Indentured servants, beckoned by the wilderness, ran away from their contracts. The handicraftsmen in Pittsburgh and the other little towns begged in vain for apprentices. Because of the scarcity of workers and money, labor was exchanged rather than hired. We have many descriptions of the frontier house-raisings; a cabin for a newly married couple was erected entire within a day or two, from the cutting of trees to the whittling of door-hinges and latch. Neighbors joined forces for reaping grain, husking corn, and fulling cloth. This co-operation bound the isolated, democratic community together, and at these gatherings the talk pointed no little suspicion at "the Gentlemen and Merchants of Philadelphia," whether these were believed to be contriving, by land claims, to oust settlers and take their improvements, or were controlling the new federal government to the disadvantage of the West.

Stages of Pioneering

Dr. Benjamin Rush in 1786 gave an account of the succession of settlers in western Pennsylvania which was sufficiently typical of the whole frontier. "The *first* settler in the woods," he wrote, from his own observations, "is generally a man who has outlived his credit or fortune in the cultivated parts of the State." He built a rough log cabin of one room, with a dirt floor and perhaps a small window covered with greased paper. A shed held his cow and a poor horse or two. He girdled the trees, planted corn among them, and on this crop, together

with game, his family subsisted. Half Indian in his mode of life, as neighbors located about him, and demanded that he fence his stock, he grew restless. Said Dr. Rush:

> Above all, he revolts against the operation of laws. He cannot bear to surrender up a single natural right for all the benefits of government — and therefore he abandons his little settlement, and seeks a retreat in the woods, where he again submits to all the toils which have been mentioned. There are instances of many men who have broken ground on bare creation, not less than four different times in this way. . . .

Whether this gun-and-axe pioneer sold his place or left it in debt, a second sort of settler found it inviting. He would be a man of enough property to allow him to pay some cash down and the rest in installments. To the old cabin he tacked a better one, of two stories with a stone-walled cellar. He built a barn, thatched with straw, cultivated more land, and grew not only corn, but wheat and rye. But this second settler also would contribute nothing to church or school; "he is equally indisposed to support civil government: with high ideas of liberty, he refuses to bear his proportion of the debt. . . ." Neglect of his farm and habitual carousing would result in his passing the place on to the third and permanent type of owner.

This last was an energetic, responsible fellow, "sometimes . . . the son of a wealthy farmer in one of the interior and ancient counties of the state." He developed a meadow, built a good barn, "in some instances, one hundred feet in front, and forty in depth: it is made very compact, so as to shut out the cold in winter. . . ." He repaired fences, cleared new land, grew oats, buckwheat, turnips, and cultivated a garden. When all else had been provided, he built a dwelling, sometimes of stone, "large, convenient, and filled with useful and substantial furniture." This man was not only a good farmer, but a good citizen, supporting government, religion, and education. All of these stages might be spanned in the occupancy of a single individual, or two of them might be, but generally the description of the three "waves" of settlement was correct.

In the seventeen-nineties a number of the farmers were of the third and most desirable type, while more lingered in the previous class, and those in the roughest part of the country were pioneers proper. The average farm in favored sections may have had three hundred acres, with thirty or forty of these under cultivation. All but a few of the best dwellings were log, though with floors of sawed boards instead of pun-

cheons (split logs turned flat side up and smoothed), and with roofs of nailed shingles. The occasional finer house of stone, brick, or clapboard might be furnished like one of its class on the eastern side of the mountains. The "mansion" of General John Neville, destroyed by the "whiskey rebels," contained downstairs a settee, desk, mahogany eight-day clock, eighteen Windsor chairs, two large and three small dining tables, silverware, china, glass, Franklin stove, books, and maps; upstairs were "five new feather beds with bedsteads and furniture"; the house had looking glasses, thirty pictures and prints in gilt frames, and was carpeted throughout.

Most of the farms were self-sufficing, turning their produce into food, clothing, and shelter for the large family, which contained on the average as many as six children.[1] The pioneer woman, hard as she toiled, could not be merely a drudge, for her work required versatility and ingenuity. She had to prepare food from the crude materials; she must soak corn in lye-water, obtained by leaching ashes, in order to make "big hominy"; she must render lard and other fat, and save it; she must churn, and she must roast barley, wheat, chestnuts for "coffee," gather and boil maple sap for sugar, and cut and dry fruit. She must cook, with few utensils beyond a pot, skillet, and Dutch oven, over the open fire. Most of her dishes were wooden, with here and there a pewter plate or spoon. She had to break flax, wash wool, card, spin, and weave — more than sixty yards per year in the average western household — and make the clothing of her family. She made soap, dipped candles, stuffed feather beds, made cheese, pounded corn in a hand mill, hoed the garden, and helped in the fields at rush seasons. With all this, marrying young, she produced as many children as nature would allow, and more than wisdom or mercy would suggest, for many died in infancy, and often the poor mother found release only when she, too, though still young in years, was put in the churchyard. Her place was promptly taken by another, perhaps a widow with children of her own, so that the house was now full to bursting with work and worry. The "free frontier" was not free for woman; she earned every foot of it many times over. Those who say that labor was not exploited on the frontier forget the labor of women — and more than their labor, their affection. All that a woman could claim as her own, of legal right, was her pathetic little dower of a few quilts and a "hope" chest which had held more

[1] See Solon J. and Elizabeth H. Buck, *The Planting of Civilization in Western Pennsylvania*, p. 329. Much of the description in this accurate and pleasant book applies to the whole over-mountain frontier, and even to earlier eastern settlement. Every aspect of life is treated.

for utility than for refinement. The men worked hard also, making implements of wood and iron, plowing with a heavy wedge of timber, reaping with scythe or cradle, threshing with a flail, clearing land and chopping wood; but winter let them recuperate, while the winter work of women was harder than that of summer.

The frontier across the mountains was not healthy, despite the "salubriousness" that boosters always mentioned. It was malarial and rheumatic, and most of the remedies, prompted by superstition and some of them used there to this day,[1] were less efficacious than the "Seneca Indian oil," the native petroleum skimmed from springs.

The upper Ohio Valley soon developed more than domestic manufactures. All sorts of boats were built for river navigation, and as early as 1793 a seagoing schooner was launched, to be followed by more than a score of others in the next two decades, and then, in 1811, the first steamboat to ply western waters. George Washington had a water-powered gristmill erected on his land at Perryopolis in 1775, and by 1810 there were almost six hundred of these in Western Pennsylvania. Needful as iron was in that new country, and though Pittsburgh was to become America's main producer of iron and steel, all the iron was brought in until the first smelting furnace was put up, with Philadelphia capital, in 1790. A dozen others were blown in before 1800. These cast kettles and stove plates, and had forges for converting the pigs into bar iron which blacksmiths, gunsmiths, and farmers hammered into all sorts of shapes and hardware. Soon nail factories, wire mills, a cannon foundry, glass factories, and machine shops made their appearance, and by 1814 three firms were making steam engines at Pittsburgh. The War of 1812 gave a lift to Pittsburgh's industries, and their growth was spectacular beginning with business revival and fuller occupation of the West following 1820, but these developments fall at a later point in our story.

Mistreatment of Excise Collectors

The fewer urban, mercantile, and speculative interests a part of the country contained, the more solidly it opposed the federal excise. South-

[1] One of the authors of this book visited a miner's family in the mountains of West Virginia near the Pennsylvania line in the workless summer of 1932. A child of two, rachitic from her principal nourishment of soda crackers dipped in water, had been unable to walk for several months, although, as her mother explained, she had been "measured" twice. This consisted in taking her to a "measuring woman" who said some words and lowered the child through a loop of string; the string was buried, and when it was rotted the sufferer would be well. However, administering every day a few drops of oil pressed from the liver of a codfish would have seemed to that mother an even more irrelevant therapy.

ern and western Representatives were against it; one from Georgia exclaimed: "I plainly perceive that the time will come when a shirt shall not be washed without an excise." So in the West the stage was all set for determined violation of the new national law taxing the distilling of "hard liquor." While opposition diminished in western North Carolina, South Carolina, and Maryland, resentment grew in western Pennsylvania and in Ohio County, Virginia (now the panhandle of West Virginia). Complaints of over-mountain men of being haled into federal court three hundred miles away in Philadelphia, to the ruin of their farms and stills, were genuine. They said that excisemen coming among them, entering houses, and prying, foretold the growth of a tyrannous federal bureaucracy. This was partly the desire to escape taxes. As a matter of fact the tax was light. One protest meeting in Pittsburgh in 1792 passed strong resolutions against excise officers: "in future we will consider such persons as unworthy of our friendship; have no intercourse or dealings with them; withdraw from them every assistance . . . and upon all occasions treat them with that contempt they deserve. . . ." Every legal means was to be used to obstruct the operation of the law. Albert Gallatin, a principal resident of western Pennsylvania and of strong democratic sympathies, was secretary of this meeting.

Soon bands of vigilantes began to threaten and attack the revenue collectors and those who rented their houses for revenue offices. These terrorists were backed by the fears of the majority who were less bold. Hugh Henry Brackenridge, a leading lawyer of the little log village of Pittsburgh, said: "A breath in favour of the law was sufficient to ruin any man. . . . On the contrary, to talk against the law was the way to office and emolument." The collector for Washington and Allegheny Counties was waylaid by sixteen men; they cut off his hair, tarred and feathered him, and took away his horse. The messenger serving warrants for arrests in this affair was treated similarly and left tied in the woods. A young man named Robert Wilson, who seems to have been "disordered in his intellects," but who was taken for a revenue officer, was dragged to a blacksmith shop, where, after being stripped, he was burned with hot irons, tarred and feathered.

These disturbances died down somewhat in 1793, but soon more serious violence broke out under the management, as President Washington believed, of "certain self-created societies." These were encouraged by Genêt, the first Minister to the United States of Republican France, and, in ways now difficult to trace, by Americans, such as Jefferson and Madison. The societies were "democratical." Genêt

expected the active support of America for his revolutionary government and took presumptuous means of meeting the opposition which he found in Washington and his Federalist administration. The Federalists wanted peace so that the strains of the Revolution and the weakness of the Confederation could be repaired, and the country could recover its composure and its credit and establish its political and economic life. Washington soon gave offense to those of French sympathies by issuing the proclamation of neutrality in the war between England and France.

In the early summer of 1794, attacks began to be made on distillers who complied with the law by registering their stills for taxation. One John Holcroft was later identified as "Tom the Tinker." Not very humorously, he referred to shooting holes through a still as "mending" it and thus derived the name which he signed to threatening notices posted up near the homes of complying distillers. This anonymous bullying frightened others besides those directly aimed at. One outbreak against the national law led to another, until seven thousand frontiersmen came together on Braddock's Field in August, 1794, under guise of a militia muster. Near-by Pittsburgh was in terror of attack. If houses of prominent enemies of the uprising were set on fire, the whole village would burn. The Pittsburgh leaders, when they saw that a march on the place was inevitable, feared to oppose it openly. Citizens brought food and whiskey to a central point in the town, and that night, with no serious damage done, the drunken battalions were ferried back across the river and disbanded to their homes. The following month, before the national government acted to suppress the insurrection, was one of uncertainty. Attacks on revenue officers continued. Liberty poles, signs of resistance to government, were erected. Men spoke of forming a separate state and suggested placing the region under the protection of the British, until news came that President Washington was calling out the militia to put down treason in the West.

At the Morris house, Washington's residence in Philadelphia, the President's Cabinet met with Governor Mifflin and other officers of Pennsylvania to confer about what to do. The revolt of the western counties against the excise called for a decision which was critical. Would the national government permit its authority to be flouted? On the other hand, dared it resurrect state loyalties by marching a federal army against the insurgents? Diffident adherents of the new constitutional system had all along been vocal about potential tyranny in it. And how would foreign powers exult when they saw that military force was required to hold the young American Union together?

Washington and Hamilton, after a survey of the extent of western disobedience, were resolved to use troops to vindicate the central authority. On receiving a certificate from a western federal judge that the laws were "obstructed by combinations too powerful to be suppressed" by the courts, Washington prevailed over the misgivings of the governor of Pennsylvania, and called out fifteen thousand militiamen from New Jersey and eastern Pennsylvania, Maryland, and Virginia to make a punitive expedition across the mountains. Many charged at the time and some have written since that the Federalists welcomed the chance to demonstrate the superiority of the national government to a dissenting district and magnified the revolt for this purpose. It seems more likely that forcible suppression of rebellion was unwelcome, but was considered necessary. The result was salutary. It was to be proved that the federal government, when acting within its proper sphere, was supreme over a state, and could directly coerce citizens.

Ambassadors sent from the West to intercede with Washington found him leading the army toward the scene of disorder and not to be deterred. Hamilton went, too, in civilian dress, and after Washington turned east from Bedford, the Secretary of the Treasury kept on with the troops to Pittsburgh and directed the seizure of several score suspected of treasonable acts. The scornful defiance with which the "whiskey boys" had promised to meet the "watermelon army" from the coast swiftly evaporated. Thirty of the prisoners were indicted for treason and two were sentenced to death, but President Washington later pardoned them all. The revolt had been put down without bloodshed, and the lesson of its futility had been learned. The revenue from the excise, which had fallen off a fifth between 1793 and 1794, regained the loss the following year.

Control of the Northwest at Stake

The first years of the national government were colored by the French Revolution and the great wars which followed it. The effects on America were many and varied. They were material and they were political. Among economic results were, first, the vexation, but to a larger degree the promotion, of our foreign commerce; then the building of a navy, the acquisition of the huge Louisiana Territory, experiments with such policies as embargo and non-intercourse, and finally, our embroilment in a second war with England. In the matter of political parties, the conflicts abroad, especially in the early stages, emphasized differences

between Federalists and Anti-Federalists; between those set upon national prosperity, "law and order," and those more impressed with the importance of proclaiming and upholding popular rights, influenced by the equalitarian principles announced in France.

In this development, which occupied approximately the quarter-century between 1789 and 1814, a principal event was Jay's Treaty of 1795 between the United States and Britain. It was fostered by the Federalists as a completion of the Revolution and the Constitution. It protected us during precious years against war with England, permitting us to receive the indispensable revenues from commerce with that country, and vouchsafing us peace in which our economic and political institutions could take root. On the other hand, the treaty was opposed by those who feared English influence, and who clung to our moral, though not our military, responsibility to France.

The Jay Treaty involved both territory and trade. The territory was the Northwest — above the Ohio, below and about the Great Lakes, and reaching out to the Mississippi. The English, a dozen years after the peace, continued to hold the line of forts dominating this region, in disregard of their engagement to evacuate them with "all convenient speed." Their excuse was that the United States had first violated the peace terms by permitting obstacles to be raised in the states to the collection of debts due British subjects. Which offense was prior in point of time, the holding of the posts or the holding-off of creditors, is an unprofitable question. Undoubtedly, a stronger reason for British garrisons in the forts was that they secured the fur trade going out through Montreal. This was worth two hundred thousand pounds a year. A substantial portion of the pelts came from the American area, and all were threatened with diversion to Albany and New York if the United States gained the posts.

English officials, in London and over here, long cherished the plan of forming the American hunting grounds into an Indian barrier state, ostensibly neutral. This could not be accomplished unless the posts remained for a sufficient period in English hands. A more ambitious hope was that American settlers in Vermont and the Northwest might be pried loose from the weak American Confederation and returned with their sparsely peopled great territories to the British Empire.

So much for the question of territory. Commerce between America and Britain was of overwhelming importance to the former and of chief consequence to the latter. At the time the Jay Treaty was being negotiated, three fourths of America's trade was with Britain, and a larger

percentage of imports came from that country. So necessary to the federal Treasury were the duties on these imports that loss of them, said Hamilton, would "cut out credit by the roots." On the side of Britain, America was her greatest single customer, and this traffic was the more vital because we took chiefly manufactures at the time when Britain was launched upon the Industrial Revolution which made her the "workshop of the world." Our demand for the produce of her factories grew rapidly from one twelfth of the total in 1788 to one fifth when the Jay Treaty was signed six years later.

This impressive volume of trade between the two countries existed in spite of the British Navigation Acts, which after the Revolution applied to us as to other foreign countries. After the war, some wise men in England wanted free trade with the United States, but the old mercantilist school, led by Lord Sheffield,[1] carried the day against these liberal proposals. Those who supported the traditional restrictive system were content to see American ships entirely excluded from the British West Indies, a trade which had been highly important to us in colonial times. The planters in those islands were eager for us to bring them provisions and lumber, but the Canadians demanded this opportunity, although they could only partially fulfill it. Only certain enumerated staples could be taken from America to the British West Indies, and these only in British-owned ships, while special prohibitions prevented our goods from reaching them from the French and Dutch islands. Our ships could carry certain of our raw materials, not including whale products, to England as before. Lord Sheffield and his followers remarked with complacency that firm ties of habit, language, culture, and credit bound us to the British merchants and manufacturers. England had what she wanted of American supplies and in the American market without making any concessions. Against British restrictions retaliatory acts by several American states under the Confederation, such as double import and tonnage dues on British ships entering their harbors, had not been really burdensome because other states threw their ports open.

There was no treaty of commerce between the countries, and in the view of Britain her own regulations in her own interest served well enough. But after the new government in the United States was established, Britain's apprehension was stirred by the enactment of discriminatory tonnage dues — six cents a ton on American ships, thirty cents on those built here but owned abroad, and fifty cents on foreign vessels.

[1] *Observations of the Commerce of the American States*, 1783.

An informal agent of Britain visited the United States to feel out the situation, and was assured by Federalist leaders that the United States wanted to enter negotiations for the release of the western posts and for a commercial treaty. A principal object of the latter would be the admission of American ships, of limited tonnage, to the British West Indies. Gouverneur Morris was sent to London, as President Washington's personal representative, to hold similar conversations there.

Nothing was accomplished immediately on either side of the Atlantic. A revival of anti-British sentiment in America led to the introduction in the Congress of 1791 of an American navigation act imitative of the British. The Federalists were able to thwart this retaliatory move until an exchange of ministers between the two countries was accomplished, George Hammond coming here and Thomas Pinckney going to London, while Hamilton nursed assiduously the project of settling all differences with Britain left hanging in the treaty of peace and of securing commercial concessions. The British Minister said of Hamilton that "any event which might endanger the external tranquillity of the country would be as fatal to the systems he has formed for the benefit of his country as to his present personal reputation and to his future projects. . . ."

Neutrality in Spite of the French Envoy

Every element in the picture was thrown into vivid coloring when Britain and France declared war in February, 1793. Washington readily carried his whole Cabinet with him in insisting upon neutrality for the United States. Hamilton and his group declared that we were not bound to France by the treaties of 1778 with Louis Capet, since he had been beheaded. Jefferson and his supporters thought otherwise, but yielded the point and united in the proclamation of neutrality, which made no mention of engagements with our erstwhile ally. Preferences for England on the one hand and for France on the other, however, persisted. Jefferson had applauded the French Revolution and condoned its excesses. Hamilton condemned the whole business and abhorred its tendencies.

But matters were not allowed to remain in this suspension, for young Citizen Genêt, on his arrival early in 1793 as the Minister of the French Republic, immediately did all he could, by act and influence, to commit America to the side of France. His instructions from his government were plain enough — to get America to reaffirm the commercial articles of the treaties of 1778 favorable to France, to exclude British

shipping from American ports, to permit the fitting-out of privateers here to prey on British vessels, and to stir up our border settlements against Spain in Louisiana and against Britain in Canada. But his zeal exceeded his mandate. This enthusiast was what would now be called manic. He was as florid in his conceptions as in his complexion. If we imagine an official representative of the Russian Bolshevist Revolution coming to America shortly after the Czar was shot, we shall have a fair parallel, though in the earlier instance the "rights of man" had a political emphasis, in the latter an economic one. Genêt's ebullience proved fascinating to Charleston, where he landed. His pockets were stuffed with blank commissions for sea captains who would bring in British prizes to be condemned in courts which he was to set up with the assistance of the French consul. George Rogers Clark would lead his borderers against New Orleans, and others, with Indian chiefs as lieutenants, would attack Canada.

All of this, done before he so much as presented himself to President Washington at Philadelphia, was gratuitous in a high degree, but at first won local acquiescence and even approval. Genêt made a triumphal progress up the coast, but found his fire chilled by Washington's reception. Jefferson needed little warming, but even he soon cooled toward the precipitate young Frenchman. The American government protested against his fitting out of privateers and his enlistment of our citizens. His own government disavowed his presumptuous actions and his attempts to appeal to the people over the head of Washington. America soon demanded his displacement, but for a year, until his successor arrived, he was a thoroughly embarrassing guest, and his influence against the Federalist administration was felt months later, as we have seen, in the Whiskey Insurrection.

Hardly had the provocations of the Frenchman been repelled when Britain's naval orders toward us as a neutral drew our attention to that quarter. Britain, mistress of the seas, chose to disregard the growing acceptance of the doctrine that "free ships make free goods," and by orders in council instructed her naval commanders to seize enemy property wherever found. These orders revived the "Rule of 1756," which asserted that the country which excluded the ships of another from her ports in time of peace could not invite this commerce in time of war. This rule shut us off from trade with the French West Indies, which, though partially open to us before 1793, had now been flung wide. Lastly, Britain, unlike France, declared that grain borne on American ships to the enemy was contraband. More than two hundred American

vessels were seized by British commanders in Caribbean waters, and over half of them were condemned; American crews were locked in prison ships or set helpless on the beach.

Whatever our embarrassments on the sea, we did better against British pretensions on land. American commissioners, in a parley with the Indians on Lake Erie, had been unable to get the chiefs to confirm the most recent treaties giving northwestern lands to the United States, but a year later General Wayne's decisive victory over the Indians at Fallen Timbers accomplished the object and put an end to British hopes of pushing the Canadian border southward or of setting up a buffer Indian state.

This last reassuring news had not reached Congress when the anger of that body at Britain's naval policy seemed coming to a head. Jefferson, Secretary of State, presented his delayed report on commercial discriminations, Madison's resolutions for retaliatory tariffs were revived, measures were introduced to take over funds owed British subjects for the benefit of American shipowners, and other measures proposed for prohibiting commercial intercourse with Britain until the posts were evacuated and all commercial damages paid.

Peace Necessary for Prosperity

Federalists, fearful of loss of national revenue and afraid of seeing the country plunged into war, tried to neutralize these moves, but had to consent to a two months' embargo on foodstuffs for the British West Indies and to take an active part in preparations for national defense.[1] Their effective proposal, however, was the appointment of a special envoy to Britain who should seek final execution of the terms of the peace treaty, cessation of illegal seizures of American ships and cargoes, and negotiation of a commercial treaty. John Jay, Chief Justice of the Supreme Court, who had served his country with distinction in diplomatic posts before, was the Federalists' choice for this mission. Jay sailed for England in May, 1794. He took with him instructions framed

[1] Fisher Ames said: "... we are invited to submit to the hazards and losses of a conflict with our customers; to engage in a contest of self-denial. For what — to obtain better markets? No such thing; but to shut up forever, if possible, the best market we have for our exports, and to confine ourselves to the ... scarcest markets for our imports. And this is to be done for the benefit of trade, or, as it is sometimes more correctly said, for the benefit of France. ... To make trade better, it is to be made nothing. ... By cherishing the arts of peace, we ... are actually acquiring the strength and resources for a war. ... give time for our strength to mature itself. Though America is rising with a giant's strength, its bones are yet but cartilages. By delaying the beginning of a conflict, we insure the victory."

to preserve peace with Britain, so that the new national government could become firmly grounded.

There were a few points upon which the United States would stand, but on many more this country was prepared to make concessions. Those who knew Jay's instructions could not have been surprised when the treaty turned out to be anything but a strong or complete vindication of American demands. No article of the treaty was to impair our obligations to France. As to the fulfillment of the treaty of peace of 1783, the posts must be relinquished, and we must have compensation for the slaves carried away in the British evacuation of Charleston. On the other hand, the United States government would engage to pay the old debts owing British subjects, against which the states had erected impediments. As to depredations on shipping growing out of the existing war, we would acquiesce in a reasonable interpretation and enforcement of the Rule of 1756; we would expect indemnity for illegal spoliations and give damages for injuries inflicted by French privateers fitted out in our ports. If these matters were adjusted, Jay might enter into a commercial treaty on condition that American ships of limited tonnage were admitted to the British West Indies. In return for this privilege, we would agree not to raise the tariff on British imports beyond ten per cent for a term of years. Except for rare exceptions, food was not to be contraband, and free ships were to make free goods.

Jay had to strike his bargain with Lord Grenville, who was then Foreign Affairs Minister in the younger Pitt's Cabinet. Grenville was the kind of executive who nowadays would boast of being able to dictate to three stenographers and talk on the telephone at the same time. He had the advantage of playing on his home ground, but even so he was a most proficient negotiator. He had an idea, based on information from private sources and on excellent guesses, of what the minimum American demands would be, and he knew that the United States, quite as much as England, was eager to avoid war between the two countries. For five months the two negotiators exchanged draft proposals, Grenville doing most of the striking out. However, one point above some others in Jay's diplomacy is to be praised. He successfully insisted, against Grenville's demand, that the Canadian line, by terms of the Treaty of 1783, did not have to be dropped low enough to permit it to reach the Mississippi at a place where the river was navigable. An agreeable line was to be drawn by a mixed survey commission. Thus Jay retained for the United States, at a stroke, what were later to prove the rich ore beds of the Lake Superior region, and, in all probability, the northern tier of states west of the Mississippi.

American Gains by the Jay Treaty

In the terms of the treaty, as such, Jay gave more than he got. He got evacuation of the frontier posts, entrance to the British West Indies by American ships not exceeding seventy tons on the same footing with British ships trading between the islands and the United States, and compensation to merchants for British depredations at sea. On the other hand, Britain was allowed to except from American trading privileges in Canada all the territory of the Hudson's Bay Company. American admission to the British West Indies, the Senate decided, was too dearly bought, for the treaty as signed by Jay (Article XII) provided "that . . . American vessels [coming from the British West Indies] do carry and land their cargoes in the United States only, it being expressly agreed and declared that . . . the United States will prohibit and restrain the carrying any molasses, sugar, coffee, cocoa, or cotton in American vessels, either from His Majesty's islands or from the United States to any part of the world except the United States. . . ." British vessels were not subject to this limitation. The object of this clause, as of limiting American ships in trade with the islands to those of small tonnage, was to preserve to British ships the trans-Atlantic trade in produce of the islands. The only one of the products which American ships might not re-export to the world, *which was grown in the United States*, was cotton, but this was already important, and, through the invention of the cotton gin by Whitney the year before, was soon to become of supreme consequence. Nobody knows why Jay permitted cotton to be included. The Senate ratified the commercial part of the treaty only on condition that revision of this Article XII, agreeable to the United States, should be ready to go into effect two years after the conclusion of peace.

Britain got a guarantee for a period against further discriminations in tariff and tonnage dues, and the right to impose such duties on American ships and cargoes entering ports of the British Isles as would countervail the duties levied by America on British commerce. Thus, our navigation laws, favoring American shipping, were done away with so far as Britain was concerned. Britain wrote into the treaty the right to take enemy property from neutral ships, the Rule of 1756, and the definition of food as contraband. Nothing was said against British impressment of our seamen. The United States government was to pay Britain in specie for blocked debts owing British subjects. Jay dropped American claims for slaves carried away by the British. The result of debt claims by Britain and damage claims by America was that our

Brown Brothers

FISHER AMES

government paid $2,800,000, but our citizens received more than twice this sum on account of naval depredations.

Thus, the terms of the treaty pledged us to fall in with British convenience during the war she was waging and compromised our assurances given France during our Revolution. At this price, however, we bought peace and national unity for two decades.

When the Senate had confirmed the treaty, with the exception of a portion of Article XII, Democratic opposition to it — or rather to the Federalists who were its defenders — was still not beaten. A long and fierce debate ensued in the House. Here Democratic orators took the stand that even though the Constitution gave the treaty-making power to the President and Senate, these could not coerce the House into passing laws to carry the treaty into effect, in this case making an appropriation to pay obstructed debts owing to Englishmen.

It looked as though Federalist determination to keep America neutral in the European war were to be defeated, not so much by reason of the

belief that national self-respect had been sacrificed as by ill-considered party clamor. The whole Federalist weight had been thrown on the side of the treaty. But the vote was going against agreement with Britain unless the last Federalist card proved to be an ace. This was the speech in the House of Fisher Ames of Massachusetts. As frequently before, he had been reserved for the decisive effort. This time the result, on which so much hinged, was more in doubt because Ames had been ill. As customary with him, he had listened patiently to the other debaters and had jotted down only a few headings to guide the development of his own plea. Ames's speech was a model of its kind. Reading it is an exciting experience today, in an age which has lost its taste for oratory. It is like a piece of baroque architecture. The House adjourned, the opposition fearing to risk a vote under the spell of Ames's metaphors. A couple of days later the resolution, "that it is expedient to pass the laws necessary for carrying into effect the treaty," was carried by the narrow margin of 51 to 48.

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Chapter 14

Beginnings of Economic Nationalism

DESPITE DIFFICULTIES, the economic vitality of America and the abundance of its resources were seen in the revival of its foreign trade following the Revolution. The great privation for the decade following the peace, and to a degree for a longer period, lay in the exclusion of our ships from the British West Indies. After 1783 we had to look on while British ships discharged cargoes here, took on our goods for the British West Indies, and from there carried the sugar and other raw materials to London. Specifically, our fish were banned from the British Caribbean in the attempt to encourage the fishing industry of Canada, Nova Scotia, and Newfoundland; even the market in the French islands was partially closed to us. Our fishing fleet declined one third, in spite of continued evasion of the hostile rules. The whaling fleet was largely idle because after the Revolution the English market was tight shut against our whalebone and oil. British port charges against American vessels were not only higher than British ships paid here, but higher than British ships paid in home ports. Marine insurance, written mostly in England, discriminated against American shipping.

Congress, under the Articles of Confederation, was powerless to overcome these disadvantages. When the new government was established under the Constitution, however, the picture began to change. Madison, Jefferson, and others were for enacting retaliatory measures against British commerce, but the Federalists successfully objected. They were nationalistic enough, but, as we have seen, they considered that keeping our patience while we developed our economic life was better than delivering a sharp answer. However, in 1789 we did impose higher tonnage duties on foreign than on American vessels, and allowed a rebate of ten per cent on import taxes of goods brought in our own ships. We granted bounties to our fisheries, but since this industry did not

enjoy the benefits which came to our merchant marine from the European wars beginning in 1793, it had uneasy fortunes for a decade. Our foreign trade tonnage was some 346,000 in 1790, the tonnage of coasting vessels 103,000, and that of the fishing fleet 28,000. In this year nearly sixty per cent of the vessels entering here from foreign ports were American.

From 1790 to 1807, from the establishment of our government until the attempted retaliation against European belligerents, the actions of our own nation and the demands set up by the Continental wars combined to produce a period of extraordinary prosperity in American foreign trade and shipping. In 1790, total exports were $20,000,000, and total imports $23,000,000. By 1807 exports were $108,000,000, and imports $138,000,000. Our vessels engaged in foreign trade in 1793 were 447,000 tons, and by 1807, the end of the period of growth, reached 1,089,000 tons. At the outset over half our tonnage was confined to the coasting trade, but by 1807 three fourths of it was in foreign commerce, and ninety per cent of the vessels entering and leaving our harbors were our own.

It was now possible to make commercial treaties, for Congress could bind our country as a whole, which had not been possible under the Confederation. The Jay Treaty of 1795, as was explained in the last chapter, left much to be desired from America's standpoint, for it did not admit us equally with British ships to the British West Indies. In 1795, the treaty with Spain gave us, as we thought, free navigation of the Mississippi, though this right was not conclusive until the Louisiana cession treaty with France in 1803. A treaty of commerce with France had been negotiated in 1800; the year before one with Prussia; and in 1805 our naval chastisement of the Barbary States had compelled them to sign treaties of amity and trade. In 1799 and 1800, as a curtain-raiser to the War of 1812, we had an undeclared naval war with France, in which our small, newly built navy vindicated American rights on the seas.

Our Benefit and Vexation as Principal Neutral

But it was the Napoleonic Wars, lasting, with brief intermissions, from 1793 to 1814, which gave all Americans concerned in foreign trade — shipowners and builders, merchants and farmers — an invitation that was promptly accepted. Europe at this time of unusual demand suffered several poor crops while our agriculture was attracting additional workers. Soon farms west of the Alleghenies were sending their food-

stuffs down the Mississippi. Shipments to foreign markets from New Orleans in 1803 had a value of $4,321,000. As the war expanded to embrace the whole Continent, Europe relied on America, a great neutral, not only for food but for the carriage of her own commerce.

> The merchant flag of every belligerent, save England, disappeared from the sea. France and Holland absolutely ceased to trade under their flags. Spain for a while continued to transport her specie and her bullion in her own ships protected by her men-of-war. But this too she soon gave up, and by 1806 the dollars of Mexico and the ingots of Peru were brought to her shores in American bottoms.

During several years our re-exports were greater than our exports of American products. Here is where we fell heir, for the time, to the European carrying trade. Goods from a belligerent country or its possessions were brought to America in American ships, were unloaded, and duties were paid. The goods were then reshipped, the duties being returned, and were sent out under the character of neutral cargo. The value of this trade advanced from little more than $500,000 in 1790 to $46,000,000 in 1801; it then declined for the few years that Europe enjoyed peace, but mounted by 1806 to $60,000,000.

In export of domestic products, the fish, fur, and naval stores trade of the North Atlantic states gave way to lumber as a leading article, while in the South, by 1803, cotton had for the first time become more important than tobacco. The imports for our own use were principally English and German manufactures, wines from southern Europe, South American hides, coffee, and bullion, sugar and rum from the West Indies, and tea, silk, paper, cottons, chinaware, and spices from the Orient. Trade beyond the Cape of Good Hope grew rapidly. Congress gave special encouragement to this trade by laying double duties on Oriental goods imported in other than American vessels. We traded with Japan, China, British India, the Philippines, Egypt, and other North African countries, and the Cape of Good Hope, vessels on the way home stopping at Hawaii and the Oregon coast before dropping down to round the Horn. We sent out to the Orient some of our raw materials, such as furs, ginseng, cotton, whale products, and tobacco, but mostly we paid for our imports from those countries in foreign products such as opium and textiles, or in gold and silver. Some of the first American fortunes were made in this trade to the Far East.

Although American shipping benefited from war in Europe, it suffered from it too. Both British and French decrees made our vessels and their cargoes vulnerable from the beginning of the war between

those powers in 1793. That our shipping and foreign trade suffered depredations was acknowledged by England, which paid $10,000,000 compensation by the Jay Treaty, and by France after our naval engagements with some of her warships. But later the conflict between the main belligerents had to be pursued, each thought, at whatever violence to international law and neutral rights. War began again, after brief peace, in 1803. Soon the commercial features of the Jay Treaty expired, and Britain reinvoked against us the "Rule of 1756" by which a neutral, interfering with British interests, was not allowed to carry on a trade in time of war from which it was excluded in time of peace. Between 1803 and 1807 more than five hundred American ships were seized by England and nearly four hundred by France.

At the end of this period, England and France tried desperately each to destroy the other by excluding our ships from the opponent's harbors. In 1806, England decreed a blockade of all Continental ports from the Elbe to Brest. This was a "paper" blockade — declared but not maintained by warships — which exposed our vessels and cargoes to seizure after it had been successfully violated. Napoleon retaliated with the Berlin Decree, saying the same was true of all English ports. In 1807, British Orders in Council declared the ports of France and her allies blockaded; neutral vessels could not go to them unless they first called at a British port, paid duties, and received permission to proceed, which last they would not get if the cargo was of any use for war. Napoleon replied with the Milan Decree which said that any vessel which obeyed the Orders in Council was in effect British and subject to seizure by French men-of-war. The profits to our shipowners were great, however, and our legal rights seemed clear. After attempted embargo and non-intercourse, we continued the dangerous trade; between 1807 and 1812 we lost seven hundred and fifty vessels, more to England than to France.

Embargo Our Answer to Belligerents' Interference

The embargo was ordered by a law of December 22, 1807, and continued until its repeal on February 27, 1809, when non-intercourse with the belligerents, Britain and France, was substituted. The embargo forbade the sailing of our vessels to any foreign port. Coastwise trade was permitted if bond was given, of double the value of vessel and cargo, that the cargo would be landed in a United States port, the bond not to be cancelled until proof of this landing was furnished.

The embargo was a device of passive resistance which since before the Revolution had had President Jefferson's approval. He sincerely hated

war, costly and degrading, and relied on principles more elevated and philosophic than the considerations which moved the Federalists to keep us at peace after the European struggle broke out. His proposal of the embargo to Congress, which was immediately approved, was his answer to the rising resentment of the country after the unprovoked attack of the British warship, the *Leopard*, on our naval vessel, the *Chesapeake*, off the Virginia capes in June, 1807. The *Leopard* demanded surrender of seamen on the *Chesapeake*, claiming that they were deserters from His Majesty's navy. When the demand was refused, the British ship opened fire, killing and wounding a score of men on the American vessel which, unprepared, succeeded in firing only a single gun. Four sailors were taken from her after she hauled down her flag, her surrender was not accepted, and she limped back to port, where she immediately excited national indignation. Jefferson withstood the demand for a declaration of war, and finally got an apology from Britain.

But a decisive action was necessary, and Jefferson's great popularity in all but New York and some seacoast New England states carried the country into the "mud tortoise" policy of drawing inside our shell. It was necessary not only to amend the act soon, but also to stop gaps and frustrate abuses. Meticulous requirements covering a multitude of disputed questions were met, in spite of heavy penalties, with persistent evasion, sometimes ingenious, often open and forcible. As an example of the first, a South Carolina captain, offering the proper bond, wanted to carry five hundred hogsheads of rum to New Orleans. The inspector's curiosity was aroused; he examined the hogsheads and found they were filled with rice. The captain had intended to take this to Havana, exchange it for rum, enter the rum at New Orleans, and so get his bond released after a profitable venture. Vermont potash, flour, and pork were taken on sleds to a hilltop right at the Canadian border and put into storehouses so constructed that when a foundation stone was pulled out the house would topple, the side fall out, and the barrels would transport themselves to foreign soil, whence they were taken to the West Indies. Lake Champlain bore many rafts toward Canada in spite of the vigilance of inspectors and occasional brushes with troops. Passamaquoddy Bay, between Maine and New Brunswick, was a center of smuggling. Gallatin, as Secretary of the Treasury charged with enforcement of the embargo, reported fifty-four places along the entire coast from Maine to Georgia where violations had occurred within little over two months. Jefferson promptly used the power to call out militia to suppress armed defiers of the law, though several governors were

reluctant, and the governor of Connecticut challenged the legality of the request.[1] The New England states were in good part dependent upon provisions coming from the South, and to allow these to be brought in, New England governors could give permits to trusted sea captains. This privilege was grossly abused, especially by the governor of Massachusetts, who by this means helped large cargoes to reach the West Indies.

Jefferson and many who supported the embargo as the best reply to British and French spoliations and the readiest means of bringing European tyrants to terms hoped that an incidental advantage would be the fostering of American manufactures to offset the losses to seafaring and commerce. The middle states, especially Pennsylvania, justified this expectation, experiencing a burst of enterprise in new factories and shops to make textiles, earthenware, glass, iron, and chemicals. Though the port of Philadelphia, of course, fell into idleness, industrial activity of the city more than compensated for disemployed ships, warehouses, and sailors. In New York and Maryland there was likewise sudden progress in varied manufactures, but in these states disgruntled merchants and shipowners increasingly got the upper hand. Federalists were violent against "Jefferson's embargo." Those of Maryland, led by Key, who was soon to write the national anthem, were the more vocal because Maryland did not touch Canada, Florida, or the Mississippi, and so could not engage in smuggling. Southern states, as yet national in sentiment and not sectionalized by cotton and slavery, supported Jefferson while their agricultural staples fell in price, indulged in much talk of beginning manufactures, did start a few mills, but mostly showed a gain in home handicrafts. Had real factories risen at this time in the South in numbers, southern willingness to support a protective tariff — which was evident in 1816 — might have done much to prevent jealousy of the industrialized North, and to lessen political dissent based upon exclusive attention to agriculture with slave labor. New England hardly tried to stimulate manufactures, but lamented:

Our ships, all in motion,
Once whitened the ocean,
  They sail'd and return'd with a *cargo*;
Now doom'd to decay
They have fallen a prey
  To Jefferson, worms, and *Embargo*.

[1] Jefferson fifteen years before had antagonized Hamilton's determination to use the militia of states against frontier whiskey rebels who flouted the revenue collectors. While, in 1809, every charge that he had flung at Hamilton could now be returned upon him, it must be said that he was willing to disregard his popularity on the frontier in order to do what he thought the occasion demanded.

Remonstrances Against Trade Stoppage

Although there were exceptions, opposition to the administration's policy was one of sullen defiance. Grass did really begin to grow on the wharves. Sailors, who formed the largest class thrown out of work by the embargo, exhausted local relief, and many made their way to Canada. On the first anniversary of the stoppage of their voyages, sailors paraded through the streets of Newburyport with crepe and muffled drums, and made mournful speeches from the shrouds of a dismantled ship carried in the procession. Fishermen suffered with the men forced from merchant decks. The embargo had been in effect only four months (April, 1808) when it was complained that two hundred quintals of fish stored in Boston "must either be exported or destroyed before the hot weather sets in or the health of the town will be exposed." The embargo had caused a loss, on this quantity of fish, of $600,000. Town meetings in Massachusetts, set off by a big one in Faneuil Hall, Boston, echoed the call for repeal not only along the seacoast, but in the farming interior as well. Remonstrances were sent to Congress by the legislatures of Massachusetts, Connecticut, and Rhode Island. Unless the embargo was repealed, civil war in New England was feared by sober men there and elsewhere.

Professor Jennings, in *The American Embargo, 1807–1809* has painstakingly collected some of these protests. A Boston paper said of the embargo:

> It is surely a *strong* measure. It is strong as death, and voracious as the grave. If we do not cure the disease in its early stage, it may require a desperate remedy.

A town meeting at Bath, Maine, called on the General Court to take steps to relieve the people "either by themselves alone, or in concert with other commercial states." President Dwight, of Yale, preached from the text, "Come out, therefore, from among them, and be ye separate, saith the Lord." Others anticipated the Hartford Convention, which, as we shall see, savored of secession. Thus, Harrison Gray Otis, as early as December, 1808, wrote to Josiah Quincy to know:

> What then shall we do? . . . what can Connecticut do? For we can and will come up to her tone. Is she ready to declare the Embargo and its supplementary chains unconstitutional, — to propose to their state the appointment of delegates to meet those from the other commercial States in convention at Hartford or elsewhere, for the purpose of providing some

> mode of relief that may not be *inconsistent with the union of these States*, to which we should adhere as long as possible?

The Federalists, who had now taken refuge in New England as their stronghold, in their days of national power had regularly been accused by the Republicans of truckling to Great Britain. From New England now came the cry that Jefferson and Madison, in the embargo, were partisans, even sycophants, of the "tyrant of France."

It was believed by its backers that the embargo would prove an offensive weapon of America, bringing such hardships on the European belligerents as would persuade repeal of British orders in council or French decrees, or both. Nothing of the kind occurred, so that eventually, for our own relief, we had to give up the comprehensive embargo and retreat, rather shamefacedly, into a more ineffectual non-intercourse with the belligerents. The embargo chiefly hurt the British cotton manufacture and its operatives. American cotton reaching Liverpool in 1808 — the full year of embargo — was but a sixth of what it had been the year before, and a fifth of what it was the year after, while the average price was fifty per cent greater, and England did all she could to increase her supplies from India, Turkey, and Brazil. The cotton operatives endured unemployment, low wages, and a high cost of food, but they had no more voice in government than did the West Indian slaves, who were also victims of the embargo which shut off their bread, fish, and salt meat. Britain during our embargo opened new markets for herself in Portugal, Spain, Sweden, and South America, so that while her exports to us were cut in half, her total export trade lost little. Her imports from us were reduced to a third of what they had been, but her total import trade suffered only slightly.

Non-intercourse with Britain and France and trade with the rest of the world which was substituted for the embargo after fourteen months had little coercive effect on the belligerents, for they could get our goods from neutrals. It did not protect our vessels and seamen, for neutral commerce anywhere was likely to be attacked by one or the other of the warring powers. Consequently, the Non-Intercourse Act was repealed in 1810 and a new law promised that if either Britain or France cancelled her restrictions on our commerce, we would resort again to non-intercourse with the remaining offender. Napoleon withdrew the Berlin and Milan Decrees, but we did not immediately reinvoke non-intercourse against England, nor did we succeed in getting that government to repeal the orders in council. Not only did England continue her depredations, but Napoleon, declaring that we had broken faith with

him by failure to secure England's compliance, seized American ships in French harbors and elsewhere.

The First Factories

It will aid our understanding of the movement for protecting American manufactures, which became so prominent after the War of 1812, if we refer to the work of a few pioneers in factory industry. Pried apart by the Revolutionary War, British exporters and American importers of manufactures had promptly resumed business as soon as peace was made. We piled private debt on public debt, so that the crisis of 1783–84 resulted in a depression which was not over until 1786. But the dull times did not snuff out the young American industries, which were mostly of the hardy household variety. The distress felt in New England and Pennsylvania towns, where industries had become localized, produced demand for protective tariffs. At worst, so far as our domestic manufactures were concerned, the depression was a blessing in disguise. Money and credit for overseas payments were gone; the West, now becoming more populated, demanded more textiles, leather goods, and hardware from the eastern producers. The failure of the Confederation to conclude trade treaties diverted attention from foreign commerce, low agricultural prices in the northern states made labor available, and our exclusion from the West Indies joined with cheap grain to stimulate substitution of whiskey for rum distilleries. Pennsylvania was already becoming the conspicuous home of American manufactures, able to supply the South with scores of commodities which England had furnished. American societies for promoting native manufacture, as well as enterprising individuals, reached out for English machines and mechanics. By the time the Constitution was adopted, there were already in existence a few little factories, embryonic but engaged with power machinery in secondary production as distinguished from the primary production of sawmills and gristmills and furnaces.

After the Revolution, Moses Brown, the Rhode Island Quaker industrialist, and some of his kinsmen were struggling against odds to spin cotton by machinery. Their jennies, after the Hargreaves model, operated well enough, but their water frame, a poor imitation of the improvement of Richard Arkwright, was balky and made a poor product. Cloth brought from England, made on the new machines there or which had been spun and woven by deft fingers in India, was preferred to the bungling American product. Brown, like other American manufac-

turers, turned in every direction for knowledge and equipment, but found little. Britain guarded the secrets of her revolutionary textile machinery by forbidding the taking from the country of designs from which it could be duplicated. If only the attempt of Tench Coxe, the constant encourager of American industry, had succeeded! He had conspired to have brass models of the Arkwright patents, complete to the last detail, shipped here by way of France, but the crates had been opened and the ruse detected. American craftsmen could have built machines from these scale models. As it was, the faulty knowledge and imperfect memory of British workmen who drifted here and promised to reproduce the equipment of the old country raised the hopes of our enterprisers only to exasperate them.

At this juncture, early in December, 1789, Moses Brown, in Providence, was handed a letter by the captain of the packet boat from New York. It was from a young workman recently arrived from England, and began:

> A few days ago I was informed that you wanted a manager of *cotton spinning*, &c. in which business I flatter myself that I can give the greatest satisfaction, in making machinery, making good yarn . . . as any that is made in England; as I have had opportunity, and an oversight, of Sir Richard Arkwright's works, and in Mr. Strutt's mill upwards of eight years. If you are not provided for, should be glad to serve you. . . .

Moses Brown immediately invited him, on liberal terms, to come to Rhode Island, "and have the *credit* as well as advantage of perfecting the first water-mill in America."

The young Englishman was Samuel Slater, just twenty-one. Son of a Derbyshire farmer, he had served his apprenticeship in the Belper Mill of Jedediah Strutt, partner of Arkwright, and showed his indenture to prove it. Before he finished his term he had resolved to come to America to introduce the marvelous machinery which he understood thoroughly. He had read in a Philadelphia newspaper that the Pennsylvania Legislature had authorized a society for encouragement of manufactures, and had given one hundred pounds to a man who had built a carding machine, imperfect though it was. He concealed his plans even from his mother, went by stage to London as though for a casual visit, and hid his apprenticeship papers which would have warned the authorities not to let him aboard the ship for New York.

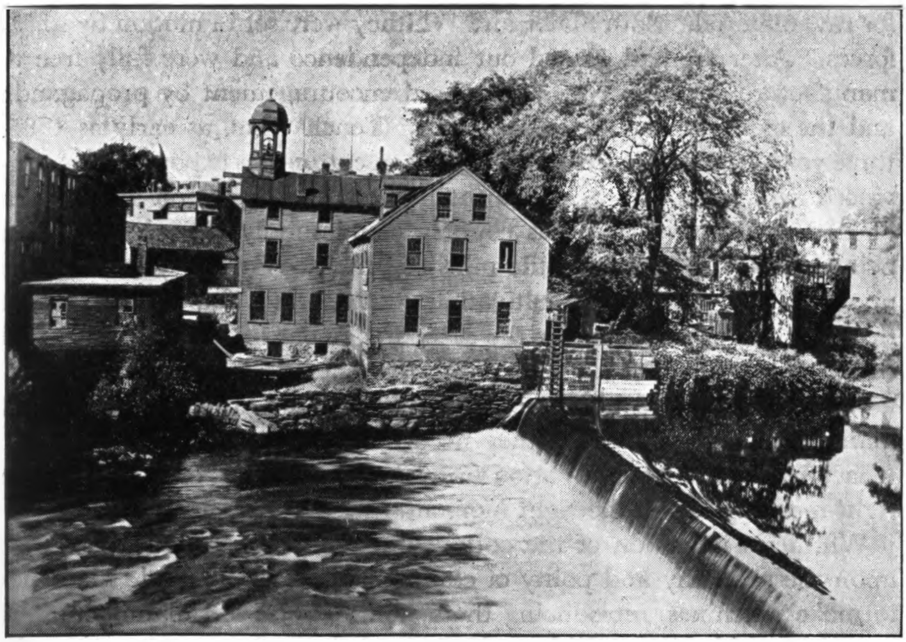
Moses Brown took Samuel Slater to Pawtucket to see the supposed Arkwright machinery which he was to correct and operate. Brown told

afterward how, "when Samuel saw the old machines, he felt downhearted, with disappointment — and shook his head, and said 'these will not do; they are good for nothing in their present condition, nor can they be made to answer.' " Then Slater proposed to perform a miracle. If the firm of Almy and Brown would supply materials and engage workers in iron and wood to help him, he would construct complete and perfect Arkwright machinery from memory. Fractions of inches in diameter of cylinders, precisely the right relative speeds of rollers, the mathematical accuracy of gearing — a factory was to be built out of his head. The triumphant result was not accomplished without difficulties. Slater had to teach his assistants how to help him, had to make tools with which to work, must torture his recollection to repair mistakes. When all this was overcome, he must spend hours each morning cutting ice from the frozen water wheel to make his machinery go. But he then made cotton yarn as strong and even as linen warp, and it was woven on hand looms into cloth equal to any from England.

Slater built and set going not only two water frames, one of twenty-four and the other of forty-eight spindles, but machinery for preparing the cotton for spinning, consisting of two carding machines and drawing and roving frames. His contribution to the preparatory stages, sometimes overlooked, was of even greater importance than his duplication of the Arkwright spinning machine proper. Carding is the process of laying the fibers parallel, without which later twisting cannot give a smooth or strong yarn. Before Slater came to this country, this process was laboriously and poorly performed with small hand cards, paddles covered with leather stuck full of short bent wires; the few carding machines were crude and constantly breaking down. Slater introduced the efficient device of two cylinders revolving in opposite directions. The wires on the larger picked up a thin filament of cotton, while those of the smaller helped to lay them straight. The filament, which a breath would break, was drawn into a rope (sliver), but without twist, and later into a smaller rope (roving) in which the spinning process of stretching out and twisting was commenced. What we think of as true spinning, the further drawing-out and twisting, followed that.[1]

The Almy, Brown, and Slater mill started operation in Pawtucket, Rhode Island, in 1790, and was successful from the beginning. This has been called the first American factory, and Slater the "father of

[1] Modern carding machines are structurally the same as Slater introduced, though they embody many refinements; the card "clothing" of wire studs is now perfected to the place where it may carry 40,000 to 90,000 points to the square foot.



Brown Brothers

SLATER COTTON MILL, PAWTUCKET, RHODE ISLAND, 1790

American manufactures." By his enterprise in building additional mills, in developing whole industrial communities from nothing, and his training of able workmen, Slater extended the textile business in New England, the middle states, and even the South. By 1812 there were fifty-three cotton mills with some forty-eight thousand spindles within thirty miles of Providence. Slater was not an inventor, though he had mechanical capacity of a high order in reproducing what his photostatic memory recorded. He was an excellent manager, and generous to the many who sought him for advice. Before his death in 1835 his interests had broadened to embrace wool and iron manufacture, and members of his wide family connection carried on the industrial tradition which he had founded.

Yankee Ingenuity on a Georgia Plantation

Hardly had Samuel Slater with his mill at Pawtucket opened the way for American cotton manufactures than Eli Whitney with his cotton gin furnished the means whereby the southern states could meet the demand

for raw material. Both Slater and Whitney were set in motion by social forces. After we had gained our independence and were fully free to manufacture, a number of men offered encouragement by propaganda and the example of their experiments. Tench Coxe, as early as 1785, three years before a single bag of American cotton was exported, was convinced from what he saw of the small patches of cotton on the Eastern Shore of Maryland that this country could supply the material then being demanded by the textile mills of Britain. On every occasion he urged the extension of its cultivation. Coxe was a founder in 1787 of the Pennsylvania Society for the Encouragement of Manufactures and the Useful Arts, which influenced Slater to come to this country. Whitney, in turn, applied himself to the cotton gin when he heard Georgia planters explain how much they needed a machine for separating the tenacious fiber of upland cotton from the seed. Each of these was the right man invited by the right moment.

Whitney's invention of the cotton gin was momentous in its effects upon the economy and polity of continents. Later he made machines to make machines, introducing the system of precision manufacture of interchangeable parts. Either of Whitney's inventions was epoch-making, but the second, if possible, outdid the first.

He was born near Worcester, Massachusetts, in 1765, and early showed mechanical aptitude, fashioning fiddles and taking apart (and promptly putting together again!) his father's watch. He avoided work on the farm, preferring to make knives and nails, to read and figure. He graduated from Yale College in 1793, already twenty-seven years old because he had been obliged to support himself. Thinking he had a position as tutor in a private family in Georgia, he set sail for Savannah, only to find, when he arrived, that another person had been engaged. But on the voyage he had come to know the widow of General Nathanael Greene, who now invited him to be her guest at her plantation while he studied law. Visitors from Augusta in the up-country where green seed or short-staple cotton was grown, complained of the labor in separating lint from seed, a pound or so being a day's work for a slave. Mrs. Greene, having seen some of Whitney's handiwork, referred the planters to him, saying, "He can make anything."

The long-staple fleece of the sea island cotton, which had recently been introduced in the coastal districts, could be separated from its black seed by means of a crude gin with plain rollers, not different from the *churka* which had long been used in India. But the stubborn upland variety was not so amenable. Whitney went to work in the basement

and, after several months, was able with his machine to convince and delight those whom Mrs. Greene invited to a preview. The gin consisted of a cylinder four feet long and five inches in diameter, banded at intervals by wires projecting two inches from the cylinder. As the cylinder revolved, these wire teeth protruded through the slots of an iron grating and pulled away the lint of the seed cotton pressed against them. Brushes set on another cylinder revolving in the direction opposite to the first swept the lint cotton from the wire teeth. Whitney said, "This machine enables one man to perform the work of a thousand," but this was when the gins were moved by mule, ox, or water power.

The gin was invented in 1793. Promptly Whitney entered partnership with Phineas Miller, the plantation manager who had married Mrs. Greene, to patent and manufacture it. The original had been stolen, so knowledge of its simple mechanism spread rapidly. Whitney and Miller planned to make the gins in New Haven, set them up in the South, and charge planters for their use. Hardly had work begun when the shop burned. Many who were anxious to obstruct Whitney's patent monopoly circulated rumors, in England as well as America, that the gin injured the cotton, while at the same time they stole his invention. Whitney at length disproved these disparaging reports, but only to enter on exasperating and costly defenses of the patent. Juries were ill-equipped to judge of the technical questions involved, there was genuine doubt whether the saw gin invented by a Georgia mechanic had not preceded that of Whitney, and the whole cotton country resented monopoly in a device which all desperately needed and could make for themselves.[1] Finally, North Carolina, South Carolina, and Tennessee did buy the patent rights, but the last two went back on their bargains before the full amounts were paid over. For years of worry and expense Whitney did not get enough, in the end, to pay his debts.

We need not dwell here on the economic and social results of Whitney's gin. It produced the South's economy of cotton cultivation with slave labor, and thereby expanded the textile manufacture of Britain, France, and America. In 1791, only 190,000 pounds of American cot-

[1] Whitney wrote to Robert Fulton: "At one time but few men in Georgia dared to come into court and testify to the most simple facts within their knowledge relative to the use of the new machine. In one instance, I had great difficulty in proving that the machine had been used in Georgia, although at the same moment, there were three separate sets of this machinery in motion within fifty yards of the building in which the court sat, and so near that the rattling of the wheel was distinctly heard on the steps of the court house." Whitney would have been wiser had he manufactured the gins in quantity and sold them, or, better still, had sold to others the right to make the machines, as McCormick did with his reaper, instead of keeping ownership of the few he could turn out and trying to collect rent for them.

Brown Brothers

ELI WHITNEY

ton were exported, but in a dozen years, 41,000,000 pounds. The cotton gin has undergone little change in its essential features. Until about 1875 each plantation was likely to have its own gin, turning out eight or ten bales a day. Later, central ginning plants superseded the small ones.

Out of Whitney's disappointment, however, came an unexpected result in a new direction. In 1798, the government was preparing for war on France as a consequence of interference with our shipping. Whitney wrote to the Secretary of the Treasury seeking a contract for the manufacture of muskets. "I am persuaded that machinery moved by water, adapted to this business would greatly diminish the labor and . . . facilitate the manufacture of this article. Machines for forging, rolling, floating, boring, grinding, polishing, etc., may all be made use of to advantage." The government was disturbed because, of the ten thousand muskets Whitney was to make in two years, only five hundred were ready at the end of the first year. Muskets, like all else, had been

fashioned until then by hand; since no two locks were identical, each part had to be individually fitted to the others in that particular musket and would fit no other. But Whitney had been using his time to make machines which turned out locks, barrels, and so on, all precisely alike. He introduced jigs or patterns to guide the machines with an accuracy which the old crude gunsmith's measures could not imitate. Whitney was now ready to go into production. The government extended his time, and he was completely successful. His exact, repetitive machines made standardized parts which could be assembled, at random, into any one of his muskets.

In his little factory, still standing by its water power on the outskirts of New Haven, Whitney had laid the foundation, in producing interchangeable parts, for large-scale manufacture. A new industrial age had begun. Soon Whitney's methods were applied by his neighbors, so that the cheap Connecticut clock spread through this country and crossed the ocean, with hardware of all sorts to follow. Whitney's gunworks led to the establishment of those of Colt and others, and of the Enfield rifle factory in England. Two of the most significant improvements in machine tools were the Blanchard profile lathe (1820) and the Lawrence and Robbins turret lathe patented in 1854. The former permitted the machine-fashioning of objects of irregular shape, such as gunstocks and shoe lasts, by means of a friction wheel which followed the contours of a pattern and so guided the cutting tools. The turret lathe, when made automatic, allowed a succession of tools to be brought in contact with the work without human labor.

Economic Significance of the War of 1812

We may say that the War of 1812–14 marked our economic independence, just as that of 1776–81 accomplished our political independence. It was a second revolutionary struggle. Until this time the United States was in the European, mainly the British, economic orbit. We stood on the seaboard looking across the Atlantic to the markets for our exports of raw materials, the sources of our manufactured goods, the fountain of our mercantile credit. The economic preconceptions of statesmen in authority largely sprang from the Old World, and these principles, grouped about Adam Smith's doctrine of *laissez faire*, were not the least of the imports which put us in British leading-strings.

The war, with the events which preceded and those which followed, made us execute an about-face and look to our own broad continent, to

devise means of its development. Ocean commerce, with agriculture its handmaid, now lost its single primacy, and American manufactures, coastwise shipping, and internal transportation became objects of public solicitude. The war put an end to the conspicuous growth of American foreign commerce which had been fostered by the Napoleonic conflict when we were the chief neutral carrier, and which had claimed priority in our own national policies to the neglect of American manufactures. In the middle years of commercial prosperity, the annual net earnings of our shipping, averaging more than $30,000,000, gave abundant funds for buying European manufactures. Therefore, while shipyards and rope walks were driving toward a sevenfold increase in our tonnage (from 202,000 to 1,425,000 between 1789 and 1810), and importers' warehouses were bulging, American manufacturers were delayed in their entrance on the national stage. Their day came with the war and its aftermath. In 1815, when the mercantile marine, deprived and depleted by the previous eight years, looked to re-establish itself, it was disappointed by the speed with which merchants and shipowners of European nations reasserted their old claims. So our home industry, which had been aided by all that hurt our foreign commerce, now came forward. Our own continental improvement provoked sectional cleavages where there had before been simply differences. New England, the middle states, the West, and the South were now to struggle over national economic and political policies, until, full two generations later, the results of the Civil War were to sink many of these rivalries. Thus, economic nationalism was to require as long a period for its maturing as had political nationalism before it. Roughly, the period from Franklin's presentation of his Albany Plan for union to the election of Henry Clay to the speakership of the House, defined the span not only of political separation from England, but of economic involvement with Europe. The period from the advent of Clay and his colleagues to the assassination of President Garfield suggests the inception, trials, and triumph of economic integration at home.

These eras, of course, were by no means mutually exclusive, and the exact point at which we turned to economic self-dependence may be matter of discussion. Are we to choose embargo and non-intercourse (1807–10), the war itself (1812–14), or the panic of 1819? The first was a premonitory shunning of Europe, a boycott based upon belief in our importance to belligerent countries overseas. The second, the war, was an assertion, however misguided, of our faith in ourselves. The last was a rude shock which, like a drop in an airplane which restores hear-

ing, opened ears to those who had been shouting for national economic development. This meant protective tariffs, a central bank, "internal improvements" (turnpikes, canals, and later, railroads), and a westward push of population. The precise moment of change, if there was such, does not matter.

It was associated with the self-assertion of a younger group of public men — lawmakers and editors — such as Clay, Calhoun, Lowndes, Cheves, Mathew Carey, Niles, and others from the middle states, West, and South. These repudiated the older Republican policies and the Federalism which, in its decay, had retreated to commercial New England. They did not make the first Revolution, but inherited it. Time had marched on. They were a new generation. They would develop America as their elders had established it. They were not to phrase a constitution, but to exploit a continent. Their predecessors had conquered Cornwallis, while they would overcome the English corn laws by building up an American market for American foodstuffs. They retired Jefferson to his studies, goaded Madison out of his indecision, converted Monroe to their purposes in so far as an old dog could be taught new tricks. Not lacking in the political arts, they were bombastic rather than scrupulous in debate. Their appeal was not to tradition, but to an unfolding future in which they thought the American people would support them.

They were the "War Hawks" who tired of waiting to see whether France, by repealing decrees against our neutral shipping, would force Britain into withdrawing her equally onerous orders in council. One of the European belligerents was as much a menace to us as the other. Those who led us into war with Britain disregarded the Anglophiles of New England equally with the Old Republicans who were tender of France. War with either of the contending powers would do, but if with England we could punish Indian allies who wielded tomahawk and scalping knife on the northwestern frontiers and we could invade, and perhaps annex, Canada.

Henry Clay as Spokesman of the West

The sweep of history has behind it more than the force of particular men, but it is accurate as well as convenient to define our entrance into the War of 1812 in terms of Henry Clay and his friends. Clay was not the most profound of the cohort, not the best equipped in trade statistics, nor the most successful in forwarding personal political ambitions. But

from a combination of qualities and circumstances, he was the center of the agitation. Born of a Baptist exhorter in the slashes of Hanover County, Virginia, he removed at twenty (1797) to the new West of Lexington, Kentucky, taking with him the polish of eastern aristocracy — preferred then as it has been since on the frontier — and the nationalism of George Wythe, who had been his mentor in legal studies in Richmond. How close was Clay to the first opening of the western country is evident in the fact that he married the daughter of a proprietor of the Transylvania Company. By now there were four hundred thousand people west of the mountains, half of them in Kentucky. Buckskin still predominated over broadcloth. Lexington, with sixteen hundred population, was a town of logs, with only a beginning in brick. Clay became son and spokesman of this frontier.

The life-line of the West was the Mississippi, which bore her crude products on a two-thousand-mile journey more cheaply than they could be carried mule-back across the mountains to the seaboard. Clay arrived in Kentucky just in time to share the wild apprehension of its people when, in 1800, Spain ceded New Orleans and Louisiana back to France; two years later, still in control, Spain withdrew from Americans the right of using the wharves of New Orleans for deposit of their goods, a right which had been enjoyed under Pinckney's Treaty of 1795. Cool heads restrained the western militia from routing both Spain and France from the mouth of the river. This patience was rewarded by Jefferson's negotiation of the Louisiana Purchase, but was exhausted when it seemed for a time that the Spanish intendant would not recognize Bonaparte's bargain, and Clay became an aide-de-camp to the general commanding Louisiana volunteers who would seal with the sword what their country had signed with the pen. By the end of 1803, when the United States flag finally flew over the Cabildo, or chief public building, in New Orleans, and the territory under this government had been doubled, Clay had received never-to-be-forgotten enthusiasm for national expansion and object lessons in how indispensable were means of transportation to tie East and West together. Perhaps here was born in his mind the "American System" for promoting a powerful and integrated nation, the Whig doctrine compounded of original Federalist faith in competence of central government and of Republican solicitude for preservation of the separate states.

Appearing in his place in the Kentucky Legislature in homespun from his own merino sheep, Clay introduced resolutions loyally supporting Jefferson in embargo and non-intercourse and calling for encouragement

Harris and Ewing

HENRY CLAY

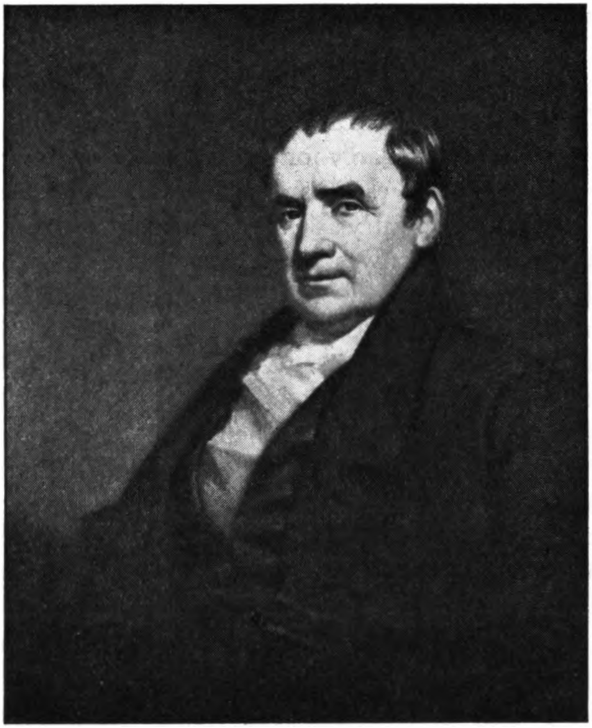
to home manufactures while European belligerents denied American rights on the sea. Growing out of his advocacy of American self-sufficiency, he even fought a duel with a Federalist who inveighed against interruption of commerce with England. But withholding our vessels from going to British and French ports did not produce retraction of the offensive decrees and orders of the belligerents, and Gallatin, to help the Treasury with import duties, proposed what amounted to submission. Clay, now in the United States Senate (1810), rebuked the old guard politicians for defeatist dawdling. He called for a self-respecting policy that promised peaceful solution, or, that failing, for war on Britain. "No man in the nation," he cried, "wants peace more than I; but I prefer the troubled ocean of war . . . with all its

calamities . . . to the tranquil and putrescent pool of ignominious peace."

Widespread economic distress in West and South stimulated Clay's demands. By 1808 the prices of grain, flour, meats, tobacco, and cotton, which had risen while our neutral carrying trade flourished, had fallen disastrously. The West Indies and the European Continent were closed to us, while imports into Britain were heavily dutied. When the South languished, western foodstuffs for the plantations moved slowly and unprofitably, and, shipping being port-bound, Kentucky hemp was not wanted for rigging that hung on idle masts. So an agricultural hinterland called for "free trade and sailors' rights." Clay and his friends attacked the Federalists who wanted no stoppage of trade with England, formerly by embargo or now by war. Thus it was that backwoodsmen thundered against British impressments and pictured the hideous floggings of American seamen on the decks of His Majesty's men-of-war while coast-dwelling New Englanders were submissive. Clay foretold Britain sending gunboats to close the Mississippi, investing the Floridas, pressing down from Canada to attach New England. The answer was for us to declare war while the enemy was still engaged with Napoleon, and if we could not assail the mistress of the seas on water, we would fight on land, retrieve the national honor, and add the Floridas and Canada to our domain. Clay shifted from Senate to House (1811), where he was promptly elected speaker, and filled influential committees with his "War Hawks," mostly young men from the frontiers North, West, and South, who wanted a "*new* United States." Confident, democratic, bellicose, the hotspurs ridiculed and goaded the reluctant President and Cabinet into a war which, "dreadful as it is," said their abettor Hezekiah Niles in his *Register*, "will not be without its benefits in giving us a NATIONAL CHARACTER, and separating us from the *strumpet governments* of Europe." "The Spirit of Seventy-Six" was to deliver us from trembling indecision and disunity, from craven surrender of our destiny. President Madison was slowly brought round, and Jefferson, who in office had shunned war, in retirement was for it. An army and navy were begun, and, despite poor preparation, the remnant of colonial dependence was shuffled off and war was declared on England June 18, 1812.

Advocates of the "American System"

We now understand something of the vigor with which Henry Clay of Kentucky fostered the "American System." This aimed at national



Keystone

MATHEW CAREY

development through protection to manufactures and the building of roads and canals. Farmers would share in the benefits by supplying food to the industrial, urban communities, while at the same time the interior farms would serve as a market for products of mill and shop. Clay had his collaborators out of Congress, men who furnished him material for speeches, and who in periodicals, pamphlets, and books helped to prepare Congress and people for legislation. They formed the first coherent and distinctly American school of political economy, embracing philosophy as well as proposal, and deserve to be introduced by more than merely their names. The chief was Mathew Carey (1760–1839), who came from his native Dublin to Philadelphia in 1784, and devoted a fluent and persuasive pen and tireless energy to building up America's material strength. His Catholic Irish hatred of England, which was lyrical, animated his long advocacy of protection and internal improvements. He was the main reviver of Hamilton's arguments, which he popularized in hundreds of pamphlets, well represented by the

serial *Addresses of the Philadelphia Society for the Promotion of National Industry.* Glowing in his enthusiasms, scathing in his denunciations, Argus-eyed for means of bolstering his cause, he was a powerhouse on which less experienced advocates could draw.

Of equal influence with Carey for the "American System" was Hezekiah Niles, whose *Register*, established at Baltimore on the eve of the War of 1812, was the country's leading business and political weekly for a full generation. Niles was persistently protectionist, and much of the news which he chronicled, of favorable legislation and of internal improvements, he had helped powerfully to bring about. His editorials and other matter from his journal were widely copied in local papers, so that his influence was magnified.

Friedrich List was a distinguished member of this company of advocates of full development of America's economic capacities. As a young German scholar and public official already persuaded that government should have a determining part in the direction of national economic effort, he came to the United States with Lafayette on the latter's last visit in 1824, traveled through the country and won the esteem of influential men. He settled at Reading, Pennsylvania, and became a leader, through his newspaper, of the German population of that region. List developed anthracite mines and one of the earliest railroads, and had an important part in preparing for the protectionist convention at Harrisburg in 1827. His brochure, *Outlines of American Political Economy*, published in this year, showed in title as well as text his conviction that young America must not be guided by the *laissez-faire* doctrines which were applicable to Britain. This country must, by deliberate action, bring her manufactures to maturity. He learned much from the writings of Hamilton, and these, plus his own experience and observations in America, he afterward applied on return to his native Germany. List successfully urged there a unified protective tariff and a network of railroads which laid the foundation for Bismarck and the German Empire. The full statement of his principles appeared in a powerful book, *The National System of Political Economy* (1841); it is an historical demonstration of the original rôle which government ought to play in producing the means of a people's prosperity.

We may only mention the names of other associates. Charles Jared Ingersoll (1782–1862) was a member of Congress from Pennsylvania, the constant friend of internal improvements (urging the superiority of railroads with steam locomotives over the slower canals), and of protection for home manufactures. Daniel Raymond, Baltimore lawyer and

economic writer, helped to give philosophical respectability to nationalist pretensions. Henry C. Carey (1793–1879), the talented son of Mathew, did not enter the arena of protectionist propaganda until the middle thirties, when tariffs were being lowered. However, with Horace Greeley of the *New York Tribune*, and many other colleagues, he did much to promote the system of high duties of the Civil War period and later. On the other hand, representative of militant free traders of the early period was William B. Giles of Virginia, an extreme and noisy states' rights congressman who continued on that tack after Jefferson, Madison, and Monroe had left it. Giles championed in the Virginia Assembly in 1827 influential resolutions against tariff and subsidized internal improvements. Thomas Ritchie, editor of the *Richmond Enquirer*, never ceased to look for holes in protectionist armor. Condy Raguet had been in the diplomatic service, and between the "Tariff of Abominations" (1828) and Nullification (1833) edited in several northern cities his *Free Trade Advocate* and *Banner of the Constitution* which smote the high-tariff men hip and thigh. Other more political participants in the tariff controversy of the pre-Civil War period, such as Calhoun and Webster, will appear in their places.

Principle of Protection Established by the First Tariff

We have said that, practically, we did not launch upon a protective policy until after the War of 1812–14, but we must not forget that later acts were built upon a constitutional power and an economic purpose to foster manufactures which were embodied in the law of July 4, 1789, almost the first statute passed by the initial Congress of the new nation. The preamble of this act declared its object to be, not only the raising of revenue, but "the encouragement and protection of manufactures." The debate upon it, as we read it today, leaves no doubt that protection was a purpose. Indeed, it was not until a full generation later that the lawfulness of this policy was prominently questioned.

The first tariff bill under the new government was introduced by Madison, its form being that of the Confederation tariff of 1783, with the duties left blank to be filled in by Congress. Madison declared himself

> the friend to a very free system of commerce, and [who would] hold it as a truth that commercial shackles are generally unjust, oppressive and impolitic. It is also a truth that if industry and labor are left to take their own

> course they will generally be directed to those objects which are most productive, and this in a more certain and direct manner than the wisdom of the most enlightened legislature could point out.

But he made an exception in this principle, which he had taken from Adam Smith, because protective tariffs, as laid by some of the states before the new national government took hold, had been effective in encouraging manufactures, and because it would be unfair now to withdraw advantages which the states had conferred.

The act as passed laid *ad valorem* duties on imports as high as 15 per cent, but amounting to but 5 per cent on most; there were specific duties — that is, not according to value, but quantity, such as two cents a pound on tallow candles, or ninety cents per hundredweight on rope and yarn; and there was a free list. Most articles, agricultural or manufactured, which Americans had prospect of supplying for themselves were dutied above the average — that is, were given a measure of protection. It is hard to say what the average rate of duty was; 8.5 per cent would be the minimum, and this was raised within five years to some 20 per cent. Hamilton thought that the cost of importing manufactures to America from Europe, leaving any duty out of account, was from 15 to 30 per cent in those days of slow voyages, heavy risks at sea, and high interest rates. Thus, the tariff did not have to be as high as was necessary later in order to afford protection. Also, Congress, which in its new authority did not want to jeopardize loyalty of the jealous states more than necessary, tried to err on the side of moderation.

Many features of tariff discussion in this country, as later developed, appeared thus early. Such was the proof that, as General Hancock said after nearly a century, "the tariff is a local issue." A Virginian opposed all protective duties save those which he wanted on coal to encourage the mining in his state; those eager to assist Massachusetts ropewalks were fearful of a duty that would raise the price of Kentucky hemp. Here was the struggle, destined to continue, between those who would protect manufactures and those who wanted to benefit the raw materials entering into the finished product. In this first national tariff, protected articles included candles, cordage, hemp, steel, nails, paper, coal, gloves, hats, and iron castings. Duties on goods imported in American vessels were allowed a 10 per cent discount.

President Washington's first annual message, suggesting that the government of a free people "should promote such manufactories as tend to render them independent of others for essential, particularly military, supplies," was the occasion of the submission two years later (December,

1791) of Hamilton's *Report on Manufactures.* This argument for the legality and desirability of deliberate encouragement to manufactures by protecting duties, while substantially accepted at the time, was not fully acted upon for twenty-five or more years. Import duties were raised at different times before the general upward revision in 1816, but in these acts protection was secondary to revenue. Economic enterprise, until British and French spoliations became so severe as to provoke embargo and non-intercourse on our part, went into shipping. The annual average value of our imports swelled more than four times between the establishment of the government and 1805–07; our exports, of which a large volume was re-exports of goods brought from the British West Indies, grew far more rapidly. Agriculture prospered when belligerents furnished eager markets. Employment was full. Manufactures which we did not produce at home we easily bought abroad, such as woolen goods and iron. Then, when depredations on our ocean commerce kept our ships at home, American industries were protected, through drop in import of foreign wares, far beyond any benefit they would have received from tariff duties. Imports averaged \$130,000,000 in 1805–07, fell to \$64,000,000 in 1808–11, and during the years that we were at war with Britain sank to \$38,000,000.

Revival of Proposals for Protection

In the spring of 1809, following petitions of manufacturers in various parts of the Union for additional protecting duties, Albert Gallatin, Secretary of the Treasury, was asked by the House to recommend means of encouraging home industries. His report, submitted a year later, was a milder, briefer version of Hamilton's findings of two decades before. It is not necessary to summarize it here, except to say that Gallatin described a great increase in industry since Hamilton's *Report on Manufactures* was made, especially since the embargo was laid. American manufactures amounted to \$120,000,000, one third being of the household variety. Far more shoes, candles, and soap were exported than imported, the number of cotton factories had risen from the single one of Slater in 1791 to eighty-seven in 1810. Merino sheep were being introduced to supply raw material for the woolen mills. Abundance and cheapness of land, scarcity of labor, and high wages were obstacles to manufactures, but the main hindrance was the lack of capital. "It is believed," Gallatin observed, "that, even at this time, the only powerful object against which American manufactures have to struggle, arises

from the vastly superior capital of the first manufacturing nation of Europe, which enables her merchants to give very long credits, to sell on small profits, and to make occasional sacrifices." Bounties were best applicable to manufactures designed for export. Prohibitive duties he considered objectionable, but moderate and continued protection had his entire approval. Since, however, capital was the lack, he proposed helping home industries by creating a government revolving fund from which five to twenty millions a year might be lent to American manufacturers at a low rate of interest.

Gallatin's report shows that protection was the accepted doctrine of the time, but he did not have his whole heart in the program. He later so far dissented from it as to describe himself as "the first free trader in the United States." He was concerned about the revenue; he knew that greater strains would be placed on the Treasury by the war which was brewing, and thus fiscal solicitude enervated his industrial policy. The Senate was at war with him, moreover, and was prepared to strike down even mild protective duties and retaliatory measures against Britain and France because they were recommended by the Secretary of the Treasury.

But sentiment in the House, favorable to Gallatin, ran beyond his recommendations, and took shape in a proposal for increasing all duties fifty per cent. The leaning of the House is shown in the fact that, though strongly Republican, it had the year before reprinted Hamilton's *Report on Manufactures*. Seybert of Pennsylvania led the attack for increased protection. Too much had been endured and squandered, he declared, in order to give an advantage to the commercial interest. Our independence would come through fostering manufactures. The country would approve this. Agriculture would not suffer, but would gain from the development of industries, which generally selected locations where foodstuffs were cheap. He deplored southern opposition to protection and thought it misconceived. Reverting to one of Hamilton's arguments, he urged that the natural advantages of industry in America would serve to establish factories if only the initial hindrance of superior foreign capital, skill, and experience could be neutralized by protecting duties. On the other hand, a North Carolina member stated the sentiment of most of the South against protection:

> What does this system go to? To this: that you will go on by tax on tax until you manufacture within the limits of the United States everything that can there be raised for the purpose of manufacture. This may be a good thing to the part of the country which will be the manufacturing

> part. They may laugh and sing; but to the part that will never manufacture it will be death. The latter may wring their hands and cry, but in vain; for once but get the manufacturing mania fixed on the nation, and we shall be saddled with it as long as the nation exists.

The motion to increase duties at this time was lost, but the debate helped prepare for the Tariff of 1816.

Secession Threatened by Hartford Convention of 1814

Of all that was going awry for this government during the second war with England, an ominous sign was the disaffection of New England states expressed in the Hartford Convention. The Federalist Party had shrunk to a New England faction, devoted to ocean commerce and therefore protesting against the embargo and non-intercourse which tied up shipping. The New Englanders cried out against the declaration of war upon their best customer. They were outraged more against our own government than against Britain by the burning of New England coast towns. These Federalist merchants smarted under the national dominance of Republicans, who were suspected of favoring France, and were certainly eager to take into the Union southwestern states which would belong to slavery. The parties had exchanged grounds. The Federalists, formerly national in policy, had become provincial, almost parochial. The Republicans, who had stood for state autonomy, had come to assert national powers, while the younger sons of the Republican household, soon to be known as Democrats, were actually jingoistic. The war had been made, not by the seaboard, but by these upstarts from the interior. Dominance was passing to the vast and unorganized West; sway had been transferred from coast to continent.

In their humiliation and petulance, New Englanders, to uphold their minority interest, discovered the right of state nullification of national acts, and threatened to employ it. There had been constant protest from this quarter. As a sample, Josiah Quincy, a Federalist leader in Congress, in opposing the admission of Louisiana as a state, said that the act, being unauthorized by the Constitution, would dissolve the bonds of the Union.

> . . . the states which compose it are free from their moral obligations, and . . . as it will be the right of all, so it will be the duty of some to prepare . . . for a separation; amicably, if they can, violently, if they must. . . . Do you suppose the people of the Northern and Atlantic States will, or ought to look on with patience and see representatives and senators, from

> the Red River and Missouri, pouring themselves upon this and the other floor, managing the concerns of a seaboard fifteen hundred miles . . . from their residence . . . ?

He and his fellows held their life, liberty, and property by a better tenure than any the national government could give, for

> We hold these by the laws, customs, and principles of the commonwealth of Massachusetts. Behind her ample shield, we find refuge, and feel safety. . . . Sir, I confess it, the first public love of my heart is the Commonwealth of Massachusetts. There is my fireside. . . .

Governor Strong, in September, 1814, feeling that Massachusetts was undefended by the weak national troops, called out the militia. Monroe, Secretary of War, refused to have the United States bear the expenses of these state militia unless a United States officer were put in command. This the governor refused to do, and thereafter it was pretended in Massachusetts that the nation would drain her by taxes and give her no military protection. This led to a legislative committee which reported its conviction "that the Constitution of the United States has failed to secure to this commonwealth . . . and to the eastern section of this Union those equal rights and benefits for which it was formed." Before appealing, in this crisis, to "the supreme law of safety" (which would be independent state action), a "conference should be initiated between those states the affinity of whose interests is closest."

This meant the New England states, and soon delegates assembled at Hartford (December 15, 1814) from Massachusetts, Connecticut, Rhode Island, and some elected by local conventions in New Hampshire and Vermont. The convention's deliberations were secret, but on adjournment after three weeks, its report was published. Here it was held that

> in cases of deliberate, dangerous, and palpable infractions of the constitution, affecting the sovereignty of a state and the liberties of the people, it is not only the right but the duty of such a state to interpose its authority for their protection in the manner best calculated to secure that end. When emergencies occur . . . states which have no common umpire must be their own judges and execute their own decisions.

This was the spirit of a rebellious minority, justifying breaking of the Union in order to have its own way. The report concluded by recommending that the states participating in the convention "persevere in their efforts to obtain" seven amendments to the Constitution. How far the Hartford Convention was guilty of outright disloyalty to the

Union depends upon the lengths to which it meant the states should go to get these amendments. The proposals had little chance of being adopted. They did away with the counting of slaves for representation and direct taxation; forbade the admission of new states except by consent of two thirds of both Houses of Congress; prevented the laying of an embargo for more than sixty days; and said Congress should not declare war, except by vote of two thirds of both Houses, unless the country were first actually invaded. Finally, the President should have but one term, and two presidents in succession should not come from the same state, every president but one to that time having been a Virginian. Massachusetts and Connecticut sent delegates to Congress to urge these amendments, but, in the rejoicing over return of peace, the protesting New Englanders were unnoticed and went home rather shamefaced.

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Part Three

DEVELOPMENT AND DIVISION

Chapter 15

Friends and Foes of Protection

IT HAS BEEN APTLY SAID that "In the peace negotiations [after the War of 1812] all those commercial and maritime rights for which embargo and war had been risked were silently abandoned; and when the British sloop *Favorite* sailed into New York Harbor late one Saturday night in April, 1815, bearing news of Jackson's victory at New Orleans and of the signing of the Treaty of Peace, the bells which pealed out the twice-glad tidings proclaimed, not indeed the triumph of 'free trade and sailor's rights,' but the supremacy of Nationalism and the dawn of a new industrial era."[1] In anticipation of peace, manufacturers had already renewed their petitions to Congress to continue a protection which commercial restriction, war, and double duties had furnished. The new American manufactures which had thus been favored and forced would shrivel under the cold blast of returning British competition, for they were crude, relatively expensive, and certainly could not depend upon patriotism alone to keep for them their home market if finer, cheaper goods from abroad became available. But now the manufacturers began to unite to take advantage of the fortunate juncture in public opinion. The commercial interest of Federalist New England was discredited in national councils after the Hartford Convention, which was regarded as traitorous to the national cause. The South, which had participated in the industrial spurt, had not yet been pried away, as it was later by the effects of the cotton gin, from espousal of policies in the general interest.

If the Federalists had lapsed from their old championing of protection, the Republicans now had a solicitude for manufactures quite equal to their traditional care for agriculture. Thus Jefferson himself wrote early in 1816:

> We have experienced what we did not then believe, that there exists both profligacy and power enough to exclude us from the field of interchange with other nations; that to be independent for the comforts of life we must

[1] Orrin Leslie Elliott, *The Tariff Controversy in the United States, 1789–1833*, p. 162

> fabricate them ourselves. We must now place the manufacturer by the side of the agriculturist. . . . The grand inquiry now is, Shall we make our own comforts or go without them at the will of a foreign nation? He . . . who is now against domestic manufactures must be for reducing us, either to a dependence on that nation, or to be clothed in skins, and live like wild beasts in dens and caverns. . . . Experience has taught me that manufactures are now as necessary to our independence as to our comfort. . . .

President Madison, in his message to Congress in December, 1815, recommended tariff protection of useful manufactures planted by enterprising citizens before and during the war. Secretary of the Treasury Dallas, as soon as the peace had been ratified, had been requested by the House to report a tariff bill. Before it was submitted, manufacturers, especially of textiles, complained to Congress that foreign goods since the war ceased had put them in a perilous position and closed some mills. Cheap cottons of India, poorly woven by laborers paid a few cents a day, undersold the common American article, which, however, was much superior in quality. The woolen cloth duties, never high enough to encourage the industry here before the war, were now threatening the new ventures with ruin. Others told of their plight.

Dallas in his report took for granted the propriety of protection, which had now become more than ever manifest, and proposed Hamilton's three classes of duties. Articles with which we could supply ourselves should be given duties prohibitory or nearly so; competition between the home producers would keep the price reasonable. The second class embraced manufactures in which we had made a promising start; these should bear moderately high duties, which would afford some protection and revenue at the same time. This would involve a temporary sacrifice by consumers, for which the whole country would be rewarded when the industries reached maturity. In this class he put coarse cottons and woolens, on which the subsequent debate was to turn. The third class comprised articles so little produced in this country that their encouragement would be long and costly, and these should bear only revenue duties.

Qualified Protection in the Tariff of 1816

The bill presented by the Committee of Ways and Means of the House, in February, 1816, was based on Dallas's proposals. If enacted it would supersede a general level of duties which had been set below the double war duties, but well above those prevailing before the war. It is to be

noted that the chairman of the committee, who led the fight for the protective principle, was from South Carolina, the state which later so violently opposed this policy. As to the cheap India cottons which were prostrating the American hand-weaving industry, the bill was signalized by the device of the "minimum." It was the scheme of Francis C. Lowell, of the Boston Manufacturing Company, who wanted to popularize his power loom. The proposal was to tax cotton goods at 25 per cent, but those valued at less than twenty-five cents per yard abroad were to be assessed at that figure anyway, and the duty calculated on this minimum. Since the coarse India goods were worth about nine cents, the duty would be quite 100 per cent, and when freight and other charges were added, it would be prohibitive to bring them in. A particular reason for the minimum was to prevent undervaluation of English goods, which was complained of by American manufacturers as a persistent evil.

Debate revolved about the duties on woolen and cotton cloth, on iron, and on sugar. In the end the Act of 1816 gave woolen cloth 25 per cent for three years, 20 per cent thereafter. Raw wool, however, much of which had to be imported, bore a rate of 15 per cent. Cotton cloth got the twenty-five-cent minimum, and also the 25 per cent *ad valorem* rate for three years, and 20 per cent later. Pig and hammered bar iron received lower duties, only rolled bar ($1.50 per hundredweight) gaining genuine protection. The sugar-growers of Louisiana had wanted much more than the three cents a pound accorded them. The local character of interest in protection was apparent. New England wanted to help her prostrate cotton mills, but opposed assistance to sugar. The South favored sugar and opposed protection to cotton goods. Both New England and the South were against the protection for iron claimed by the middle states. New England, we may say, at this time was two to one against high protection; New York, New Jersey, Pennsylvania, and Ohio were four to one for it, while the South was five to one against it.

Daniel Webster threw his weight on the side of reducing proposed tariffs. Calhoun strongly supported his fellow South Carolinian, Lowndes, in urging "the fostering care of government" for manufactures, which would be necessary to both agriculture and commerce, especially in the event of another war. Manufactures formed a distinctly national interest and would be a cement of the Union, productive of interdependence and communication, preventing dissension. Commercial capital, now that war profits in shipping had declined, would naturally seek a transfer to industry, and risks ought not to be too great in the

beginning. In contrast to John Randolph of Virginia, who called the manufacturing interest "a goblin damned," and Pickering of Massachusetts, Calhoun undertook to speak in the interest of the whole country, espousing the "American System" with almost as much spirit as he afterward used in condemning it.

In spite of the presence of "ambassadors from the cotton mills" and other lobbyists who now put in their first appearance to influence tariff-making, the Act of 1816 was not protective except in a few instances, and particularly left exposed the cotton manufacture which had chorused the loudest for help. The debate on this law brought out more and stronger voices for protection than had been heard before, but the rates which it enacted put it quite as much in the class with the earlier revenue acts as with the later truly protective legislation.

British Imports Ruined Young American Manufactures

Henry Brougham said in the House of Commons in April, 1816:

> After the cramped state in which the enemy's measures and our own retaliation . . . had kept our trade for some years, when the events of spring, 1814, suddenly opened the continent, a rage for exporting goods of every kind burst forth. . . . Everything that could be shipped was sent off; all the capital that could be laid hold of was embarked. . . . The bubble soon burst. The peace with America has produced somewhat of a similar effect, though I am very far from placing the vast exports which it occasioned upon the same footing with those of the European market the year before . . . because it was well worth while to incur a loss upon the first exportation in order by the glut to stifle in the cradle those rising manufactures in the United States which the war had forced into existence contrary to the usual course of things.

Thus was described a flooding of the American market by British manufactures against which our home producers protested loud and long. It was apparent that the tariff of 1816, which lowered the war duties, could not save the young industries which had sprung up in this country during the war. The customs collected show roughly how America was inundated with foreign wares; for in 1815 they were, in round numbers, $7,000,000; in 1816 they rose to $26,000,000, and in 1817 they were $36,000,000. In 1818, when they declined, they were still treble what they had been three years before. British manufacturers and merchants, as Brougham said, after long divorce from their

old customers, were anxious to reclaim them. Ships had been tied up at their wharves for months, ready laden, waiting for the signal of peace in order to carry every sort of goods across the Atlantic. American buyers were avid for the imported luxuries, comforts, and even necessities which they had been denied since before the war. They spurned home manufactures, sometimes preferring the foreign without cause. Soon even this eager demand was surfeited, and the British goods were dumped on the wharves of Boston, New York, Philadelphia, and Baltimore and sold at auction at prices which destroyed any possibility of American competition. Furthermore, British wares charged with *ad valorem* duties were, by deception, often undervalued.

In the depression in American industries which was critically felt in 1816, a year after peace, every charge was laid by our manufacturers at the doors of European, especially English, competitors. In their indictment no item was more prominent than complaint against the auctions of foreign goods which undercut the American prices. However, there was less malice than ordinary profit-seeking method in the practices of the foreign exporters and their American agents. British merchants could give longer credits than American merchants could dream of. Our customs laws favored the auction system. The importer could pay the duties after he had sold the goods. But some of the dumping was intended, the result of a temporary glut in Britain which in turn was owing to the exclusion of British manufactures, after the end of the Napoleonic Wars, from Continental markets. While each American, on the average, consumed foreign goods to the value of $8 or $9 in the thirty years between 1791 and 1820, this figure rose to $13.50 between 1815 and the end of the period, to fall to about $5 in the next decade. In 1815, more than $20,000,000 worth of English woolens entered this country. Also, in 1815 we had repealed the discriminating duty of ten per cent against British cargoes and ships, and promptly from having all our shipping in our own hands, a third of it passed to foreign, mostly British, vessels.

Shifts now began to occur in the respective attitudes of North and South toward protection of native manufactures. The South had shown some protectionist sentiment so long as it felt itself dependent upon American mills as buyers of its cotton, but now that the vastly superior British demand was restored, the South swung altogether toward free trade, and so continued for a century. On the other hand, northern farmers were injured by the recuperation of European agriculture when the Continental wars were over. Food and raw material surpluses piled

up here. Britain forbade the import of wheat. So the North began to think more favorably of expanding the home market for its products of the soil by encouraging manufacturing here. But the leading American industries, if they had invested some hopes in the tariff of 1816, were now depressed and disillusioned. Iron furnaces and foundries did not adopt coke as a fuel as was done in England. They probably could not because of lack of capital and separation from the bituminous coal deposits; and as near-by forests were depleted, the charcoal on which they relied became ever dearer. Our home production of iron bars declined as imports from Britain and Scandinavia leaped forward. American cotton mills, all but the up-to-date Boston Manufacturing Company at Waltham, Massachusetts, were shut, some of them forever. The embryo woolen industry fared no better. The tariff law was partly evaded.

In this state of things manufacturers' societies sprang up in Philadelphia and New York, organized branches elsewhere, and voiced a coalescing industrial interest. Meetings were held, memorials poured in upon Congress. Mathew Carey soon began his *Addresses of the Philadelphia Society for the Promotion of National Industry*, and other similar advocacies. He declared that Adam Smith's free-trade system was not appropriate for America, which needed to cultivate variety in production — industry, agriculture, and commerce — through the fostering care of government. He contrasted the prosperity of Britain and other countries which protected manufactures with the economic imbecility of Portugal and Ireland, which depended upon exports of agricultural products, and drew the moral for the United States. Whitman, of Maine, in opposing a protective measure, said of Carey's pamphlets: "Each member of the present Congress has been favored with enough to make two large volumes. And these have for a moment deluded the people and made them believe it is wise to annihilate commerce in order to build up great manufactories. 'If they can do this in the gristle, what will they do in the bone?' " Niles in his *Register* omitted no opportunity to show the distress of American manufactures, and the injury which this visited upon farmers, merchants, and shippers. Various societies pledged their members to buy only American-made goods, to wear only homespun.

The protectionist demand which thus gathered force expressed itself in the passage of laws in 1818 extending the period of the 25 per cent duty on cottons and woolens beyond the three years set by the tariff of 1816, substantially increasing the duty on forged ("hammered") bar

iron to assist a favorite American manufacture and extending protection to some other industrial products.

In the congressional session of 1819–20 the tariff discussion moved on apace, though crystallizing sentiment pro and con did not lead to more legislation at this time. A new Committee on Manufactures, separate from that on Commerce, was set up in the House and packed by Speaker Clay with friends of protection. The depression of 1819, the result of overimportation, excessive note issues of state banks and the peremptory correction of these by the Bank of the United States, promised a Treasury deficit. The committee reported a bill increasing revenue duties on sugar and coffee, and embodying a general and heavy increase in the protective schedules. After full debate, the votes showed New England about equally divided, the middle states almost solidly for the bill, and the South nearly as solidly against it. The House passed it, but it was lost by a single vote in the Senate, so nothing was done at this session (1820). Then for four years followed a reaction in which the anti-protectionist forces gained momentum, holding meetings such as one in Faneuil Hall, Boston, at which Webster, now the clear foe of tariffs to benefit manufactures, questioned the constitutional power to pass such acts.

Increased Protection in Tariff of 1824

In 1824 the pendulum swung back to protection in the important tariff revision of that year. The object of the law was frankly the fostering of American industry. Clay pictured the necessity of thus rescuing the country from the dire distress in which he discovered both farms and factories. Webster was as certain that no such condition existed. Debate raged over the utility of raising up a home market to replace the European one which had been so far lost by the peace of a decade before. The free-trade movement in Britain which, under Cobden and Bright, was gathering strength, was prominently cited by opponents of protection here, while its friends rejoined that if Britain abandoned tariffs it would be for the purpose of better foisting her manufactures on undeveloped nations such as this.

The woolen industry was now a chief claimant for protection. It was disappointed in its hopes, and, as we shall see, redoubled its efforts in 1827 and 1828. The attempt to introduce for woolens the minimum-valuation device which applied to cotton cloth failed, and the slight increase in duties which was allowed was more than neutralized by the

provision for raising, and soon doubling, the duty on raw wool. Several causes were responsible for this treatment of the struggling woolen industry. Certain among the manufacturers themselves, who thought they had an advantage, feared a protection that would raise up new mills to compete with them. Cheap woolen goods were largely imported to clothe the South's slaves, and the southern planting interest, now becoming adamant against protection, was to be treated tenderly.

The cotton manufacture received an increase in the minimum from twenty-five to thirty cents, but this was largely without meaning, since coarse American-made goods had become so cheap that the foreign article was scarcely imported anyhow. Clay, not solely for local advantage, wanted protection for hemp, which could be grown in his state of Kentucky, and for cotton bagging made of hemp. In spite of opposition from New England, whose shipbuilders wanted free hemp for cheap rope, and from southern cotton-raisers who wanted hemp bagging which covers the cotton bales to be duty free, hemp got a duty of $35 per ton, and bagging 3.75 cents a yard. The rate on forged iron bars was increased from seventy-five to ninety cents, which was enough to hurt the consumer without helping the producer or encouraging new investment in the industry. The unwise increase in the rate did not affect the ironworks of the interior, which were protected in such local markets as they possessed by the high costs of inland transportation from the coast. These inland freight charges were quite equal to the cost of bringing iron from Sweden.

The position of different sections of the country on this Act of 1824 was much what it had been in 1820 — with the differences that New England leaned now against protection and Delaware and Maryland diluted the favorable sentiment in the middle states; the western states of Ohio, Indiana, Kentucky, Illinois, and Missouri, looking to industrial centers as a market for their grain and raw materials, were more zealous than ever for protection; the South, as evident in the defiant attitude of Hayne of South Carolina, increased its opposition. Those against the tariff complained of the swarms of manufacturers who came to lobby.

Opposition of the Agricultural South

For a couple of years following the Act of 1824, the country was generally prosperous and the tariff controversy died down. But meetings held by woolen manufacturers in Boston in the autumn of 1826 gave

the signal for revival of the argument, and from this point it swept forward through seven years of political intrigue and sectional animosity culminating in South Carolina's open defiance of the national protective policy. The Southerners had supposed that the tariff of 1816 would be accepted by the North as a temporary expedient to enable manufacturers to make the transition from a war to a peace basis. But it was now borne in upon the cotton-and-slave states that protection was regarded as a vested interest which was striking its roots wider and deeper. Thus legislatures, agricultural societies, and city and county meetings in the great planting section published protests. The South by this time had practically abandoned manufacturing and absorbed its capital and energies in staple agriculture. The protective tariff was held to hurt the South in three main ways: (1) it raised the prices of manufactured goods which the section must buy; (2) by reducing the American market for English goods, it lowered the English demand for cotton; (3) and the proceeds of the duties were spent for defense and public improvements mostly in the North. The North was trying to mount upon the backs of the southern people. The policy of the general government toward the South was one of "unabating exaction," and would drive the section to ruin or resistance.

From this it was not far to the contention that one of the sovereign states might nullify within its borders an act of Congress which did not serve the state's interest. Thus, the doctrine of states' rights as against the national will, which had always been present and from time to time had been acted upon, was lifted into the front of the South's battle. This constitutional argument, elaborately supported, was a rationalization of the South's supposed economic advantage from whole devotion to agriculture. Behind the historical citations and the politico-ethical allusions appeared, if one could see them, the stretching fields of cotton with their black hoe-hands and pickers. If the South had spun its cotton, its statesmen would never have spun their constitutional theories. Nullification and secession, its child, are illustrations of economic determinism. Leaders who formulated separatist sentiment, men like Calhoun and McDuffie, had earlier championed doctrines just the opposite. As for the woolen manufacturers who met in Boston, before cotton became king, they appealed to Congress to arrest the decline of their industry by introducing the minimum principle into the tariff on woolen goods. British woolen manufacturers produced more cheaply than ever because of that country's recent virtual repeal of the import duty on raw wool, so British cloth was sold here at auction prices. The result

was the "Woolens Bill" of 1827, which proposed minima for grades of imported cloth, and, to encourage the expanding wool-growing interest, an advance in the rate and the setting-up of a minimum valuation for raw wool. Now politics made its entry and soon took the center of the stage. Van Buren and his friends were scheming to elect Jackson President instead of re-electing John Quincy Adams. Adams's chief support was in New England. The tariff bill might be used to help Jackson by damaging the economic interests of New England and by turning Pennsylvania and the West against Adams and his corner of the country. Suppose to the woolens bill were tacked a doubling of duties on bar iron, such as was made in Pennsylvania, or an increase in the rate on hemp, a Kentucky product. Here was a malicious plot, destroying Adams's following in the middle states and West. Such a plan turned the trick. The woolens bill was lost by the deciding vote of Vice-President Calhoun in the Senate. This political expedient of a tariff extreme and obnoxious to different sections was to be tried again the next year with unexpected results.

Both sides now prepared for the struggle which all knew was only being deferred. South Carolinians did not content themselves with urging free trade, but passed on to free politics, from a treatise of the classical economics to a threat of disunion. President Thomas Cooper of South Carolina College, at a meeting in Columbia, the state capital, boldly asked: "Is it worth our while to continue this union of States, where the North demand to be our masters, and we are required to be their tributaries? Who with the most insulting mockery call the yoke they put upon our necks the American system! The question . . . is fast approaching to the alternative, of submission or separation." A committee of the South Carolina Senate, some months later, said all the protective tariff laws ought to be repealed as violations of the Constitution, and declared that instrument to be "a compact between . . . separate and independent sovereignties." The Constitution, one might infer, was a treaty, rather than a foundation of general government.

Harrisburg Protectionist Convention

On their part the protectionists held a convention in the Pennsylvania capitol at Harrisburg "to take into consideration the present state of the wool-growing and wool-manufacturing interests and such other manufactures as may require encouragement." The call had been issued by the Pennsylvania Society for the Promotion of Manufactures and the

Mechanic Arts for a meeting of "farmers, manufacturers, and the friends of both branches of industry." One hundred delegates attended, from more than half the states. As might be expected, the Carolinas, Georgia, Alabama, Louisiana, Missouri, and Mississippi were not represented, nor was Illinois. More than half the delegates were agriculturalists, some of whom were "dirt farmers," while comparatively few were themselves manufacturers. The first resolution was "That the wool-growing business, and the manufacturing of woolen goods, require the further interposition of Congress, so as to afford a more effectual protection. . . ." Committees, appointed to consider the expediency of further protection to wool and woolens, iron, hemp and flax, and cotton goods, asked for various sorts of encouraging duties, while the committee on glass thought that industry had enough protection. Charles J. Ingersoll drafted the short memorial to Congress, while Hezekiah Niles prepared the "Address to the People of the United States." This last, published in the *Register* and then in pamphlet form, was a full argument for protection of certain manufactures, but sought to show the advantages that would flow from this to agriculture and commerce. Protection was the means of producing national prosperity through rounded development of the whole economy. The "Address" had an appendix of fifty closely printed pages, which cost Niles much labor. It reinforced at every point his historical and analytical brief with general views, illustrative statistics, and little essays on such subjects as the "auction system" (we should nowadays say "dumping"), the restrictive laws of Britain, comparative costs in Britain and here, and descriptions of particular branches of American industry. The Harrisburg Convention was notable in American economic history not least because its "Address," with the appendix, furnished, as Niles hoped, "a general *textbook* for the use of all parties, friends or opponents." It was an exposition much more coherent and comprehensive than either side had attempted before.

Heading the recommendations of the convention was protection to wool and woolens. The raw material, except the coarsest, such as was used to make "negro cloths," and the finest Saxon sorts, neither of which was much produced in America, was to be given a duty which over a period of years would become prohibitory, to encourage the native growers. Woolen goods should be taxed on import forty per cent, soon to rise to fifty per cent, and additional provisions raised the duties high enough to keep out most foreign cloth.

The Harrisburg Convention of sober men had made its earnest proposals to Congress, and Niles had contributed "an average of eight or

nine hours daily employment at the desk for the space of two months" to support these recommendations with facts and figures. Then politicians took charge, and distorted the Harrisburg bill in order to make Jackson President over Adams. John Randolph said that "The bill referred to manufactures of no sort or kind, except the manufacture of a President of the United States," and others on both sides echoed the charge. Jackson had strength in both North and South. His managers, particularly the wily Van Buren, wanted the tariff measure so contrived as to insure for Jackson the support of northern protectionists and at the same time of southern free-traders. Jackson's own stand on protection was equivocal, capable of being interpreted for or against. In order to win for him the maximum of northern votes, the protectionism of the Adams men must be discredited — they must be made to appear entirely selfish in the interest of New England, or, if possible, must be induced to vote against a protectionist bill altogether.

The scheme was to take the Harrisburg proposals, presented in Congress by Mallary, an Adams protectionist, and load them with features obnoxious to New England and more than hateful to the South. Jackson free-traders would vote against the bill, while Jackson protectionists of the middle states and West, voting for it, would lay the blame for its defeat upon the Adams supporters. The method was to reduce duties on woolen cloth, while raising prohibitively those on raw wool which the New England manufacturers must import. Besides, duties on flax and hemp were to be increased enormously, even on the better grades not grown in America, which would capture western farmers and alienate New England shipbuilders. The duty on molasses was to be raised to hurt New England distilleries and the trade of that section with the West Indies. Further, protection was to be given to middle-states manufacturers of pig and rolled bar iron, who had not asked for it, which would put New England forges and slitting mills at a comparative disadvantage. These "abominations," as Samuel Smith of Maryland called them, were supposed to make protection a mockery, to turn the most ardent friends of manufactures against the measure, and, after the bill had served its purpose, to insure its defeat.

But to the surprise and disgust of both sides, the bill was passed and was signed by President Adams. The South was wholly against it, the middle and western states as heartily for it, while New England was divided, with more against than for. Webster at this time changed front, supporting the protective tariff on woolens because New England, which he represented, had by now gone heavily into that industry.

"Abominations" of 1828 Angered Both Sides

Those who had stood most consistently for the "American System" denounced the act and the unworthy motives which had framed it. While the bill was still in Congress, Niles had

> no respect for those who shall betray the interest of their constituents, and barter the "American System" to obtain temporary advantages, or promote their own ambitious and selfish and unholy designs. If they succeed . . . from fifty to sixty millions of dollars will be *instantly* sacrificed, in the reduced value of lands and sheep and the manufactories of wool. Already, the farmers stand with whetted knives to kill off these useful animals. . . .[1]

Mathew Carey called the act a "crude mass of imperfection." South Carolinians, in the van of sectional opposition to the protective system, passed resolutions that the legislature or a state convention should send the United States government an ultimatum against the tariff, and if this did not succeed in bringing repeal, then the ports of South Carolina should be opened to the vessels of all nations. George McDuffie wanted South Carolina to retaliate by laying heavy state taxes on northern goods. This was an inconsistent device, certainly, for a fiery free-trader to bring forward. McDuffie also, as others afterward, urged that the South manufacture for her own needs, and he took the lead in building a small cotton mill at Vaucluse, South Carolina.

Congressman James Hamilton, soon to be a leader in nullification, anticipated the line that later argument was to take by declaring that South Carolina could expect nothing from the justice nor mercy of her northern opponents, but must rely upon her constitutional reserved right. This, he reminded, had been stated by Jefferson in the Virginia and Kentucky Resolutions of 1798: "The several States who formed the Constitution, being sovereign, independent, have the unquestionable right to judge its infractions; and a nullification by those sovereigns of all unauthorized acts done under color of that instrument is the rightful remedy." South Carolina, Hamilton thought, need not fear coercion by the national government, but if this were attempted, other southern states would join her in defiance. This last assurance was soon disappointed, for neighboring governors, while condemning the tariff since

[1] Later he thought the title should read, "*An act to PROHIBIT the manufacture of certain woollen goods in the United States, and prevent the increase of sheep, and for other purposes.*" Instead of protecting the raw material, Congress should make a market for it by protecting the mills which used it.

1816 as oppressive to the South, counseled moderation in protest, and opposed invoking the dangerous spirit of disunion.

The growing rebelliousness of South Carolina shows how the tariff became a medium in the struggle between the sections — fundamentally a contest between a free economy and a slave economy. The public land policy and the question of what was to be done with the federal surplus which was soon to accrue were similarly subjects of dispute; so was the matter of internal improvements, the twin of protective tariff in the American System. The South feared whatever contributed to the strength, integration, or extension of the northern free-labor economy, particularly if a majority representation in Congress was likely to result. The tariff, then, from a period shortly following 1816 until the Civil War, becomes an item in the vastly larger conflict between nationalism and division.

When Jackson became President, he recommended to Congress that protection to articles which we could make for ourselves be continued, but that duties on articles not in competition with our own be reduced in order to prevent too large a surplus in the revenue. The country was prosperous, how far due to the tariff or in spite of it is impossible to determine. At any rate, the forebodings concerning the effects of the tariff failed to materialize. Dutiable imports fell off sharply in the two years after 1828, but imports generally fell away less, and beginning with 1831 all rose beyond former heights. The national debt was being rapidly paid off, and would be reduced to a few millions by 1833.

These circumstances prompted Southerners, such as George McDuffie, to propose sweeping reductions in the tariff, but friends of protection were still strong enough to hold the Act of 1830 to sharp cuts in tea, coffee, cocoa, and salt, which were revenue items, and the "abomination" duty on molasses was reduced to half. In 1831, free-traders, many of them delegates from the South, held a large convention in protectionist Philadelphia, and the protectionists an even larger one in low-tariff New York — each meeting in a center of hostile sentiment. The Act of 1832 reduced protection. The free list was enlarged more than three times; woolen duties were lowered on the whole and the system of minimums abolished, while cheap raw wool had its heavy duty, a chief "abomination," taken off. Duties on iron, hemp, and sugar were lowered. The act was passed under pressure from the angry South, and met by expedient concession on the part of protectionists in order to be able to hold their main ground.

South Carolina's Defiance

Called by the legislature at the suggestion of the governor, a convention of the people of South Carolina adopted the Ordinance of Nullification, November 24, 1832. It declared that the protective tariffs, especially those of 1828 and 1832, were "unauthorized by the Constitution of the United States . . . and are null, void, and no law, nor binding upon this State, its officers or citizens. . . ." After February 1, 1833, the duties should not be collected in South Carolina. Judges and jurors were to be sworn to uphold the ordinance, and no appeal from decisions in the state courts, thus predetermined, was to be allowed to the Supreme Court of the United States. One attempting to take such an appeal — he would be a federal collector of customs, of course — could be held in contempt of the state courts. Finally, if the federal government, in consequence of the ordinance, attempted to coerce South Carolina in any way, the people of the state would "thenceforth hold themselves absolved from all further obligations to . . . preserve their political connexion with the people of the other States," and would proceed to organize a separate government.

President Andrew Jackson, though he was a Southerner, was indecisive about the principle of protection; he had vetoed an appropriation for an internal improvement, and had flouted the authority of the Supreme Court in the case between Georgia and the Cherokee Indians. But he now proved a firm national chief magistrate. Within a fortnight after the Ordinance of Nullification was issued, Jackson published a proclamation to the people of South Carolina, warning them that to obey the ordinance was to adopt "a course of conduct in direct violation of their duty as citizens of the United States, contrary to the laws of their country, subversive of its Constitution, and having for its object the destruction of the Union. . . ." The reasoning of the ordinance was patiently reviewed and, point by point, refuted. The President declared that "The Constitution of the United States . . . forms a *government*, not a league. . . . It is a government in which all the people are represented, which operates directly on the people individually, not upon the States. . . ." Thus, a seceding state would not be breaking a league, but would be guilty of the highest offense of trying to destroy the nation. A state could not set itself up as the judge of the constitutional powers of the central government. If one state could with impunity nullify the revenue laws, these must be repealed everywhere, leaving the federal government with the choice of being penniless or, if revenue were collected,

inviting secession of the complaining state. The governor of South Carolina, Hayne, the great coadjutor of Calhoun in maintaining the states' rights theory, had asked the legislature to raise troops to carry the secession into effect if necessary. Jackson solemnly warned that the laws of the United States would be strictly enforced, and that South Carolinians could neither escape from the Union nor from contributing to its revenue.

The President soon sent a special message to Congress, reporting the intended nullification in South Carolina and asking for additional means of collecting the revenue. The "Force Bill" was going through Congress at the same time as a compromise tariff intended to appease South Carolina while not sacrificing national authority. The recalcitrant state resented the Force Bill while it postponed action under its Nullification Ordinance until it should see what concessions in the protective tariff were to be offered. The law for enforcing the tariff strengthened the authority of the federal courts in revenue matters, and authorized the use of the military to put down violent obstruction. Calhoun had resigned the Vice-Presidency to assume Hayne's place in the Senate, and as South Carolina's spokesman led the fight on the enforcement measure. He had now, in a short fifteen years, repudiated or forgotten his former nationalism, when he had called for protection, for a new United States Bank, and especially for internal improvements. In 1817, pleading in Congress for construction of canals and roads, he had rejoiced that "sectional feelings" were "immerged in a liberal and enlightened regard to the general concerns of the nation." Resources of the general government should be used for good roads and canals in order to overcome the effects of distance and thus avoid "the greatest of all calamities . . . — *disunion.*" "National power" was to be promoted by "a perfect unity in every part, in feelings and sentiments." Ironically for his later reversal, he went further and discountenanced constitutional arguments against the power of Congress to lay and collect taxes and apply the proceeds to the construction of roads. He declared himself "no advocate for refined arguments on the Constitution. The instrument was not intended as a thesis for the logician to exercise his ingenuity on. It ought to be construed with plain, good sense. . . ."

But in 1833, when this federal revenue from the hated tariff was to be collected in South Carolina, at the point of the bayonet, if necessary, another Calhoun was the fiery champion of the state against the nation. Sovereignty, "the paramount power," lay not "in the people of the United States collectively, as a mass of individuals," but "in the people

of the twenty-four States, as forming distinct political communities, confederated in this Union." He went on to aver that "No such community ever existed as the people of the United States, forming a collective body of individuals in one nation." South Carolina was sovereign, and could resume powers which she had delegated to the general government. Her Nullification Ordinance was the highest law for her people. The Supreme Court had no authority in political questions, which he contended that arising out of the tariff to be. It is important to remember in judging Calhoun's constitutional reasoning, as on this occasion in 1833, that what he sought to make appear moral rights were in reality material interests. South Carolina, like other states on whose support she vainly relied, had shifted her whole economic activity to the production and sale of cotton, her early manufactures having fallen into decay. A tall, ultra-serious man with long locks about his high forehead was throwing words at his fellow senators, but the incentive for his arguments really sprang from the work of a Connecticut Yankee in the basement of a plantation mansion on the Savannah River. Calhoun framed the reasoning, but Eli Whitney, inventor of the cotton gin, had provoked it. Thus ended as politics what began as economics. That which presented itself as a theory of law was, in fact, so humble a thing as a wire tearing at seed cotton through slots in a piece of tin.

A Face-Saving Solution

While both this measure and the "Force Bill" to compel South Carolina's obedience to national law were before Congress, the defiant southern state suspended her Nullification Ordinance to await results. But the plan of Governor Hayne for military resistance, should it be needed, was not suspended. Such lieutenants as James H. Hammond were appealing for volunteers, organizing militia, forming depots of supplies of bacon, corn, and fodder on intended lines of march from the interior to Charleston. President Jackson warned that within a fortnight he would have ten or fifteen thousand troops in South Carolina to put down rebellion, and within forty days two hundred thousand volunteers, if need be, from every other state in the Union. Without this threat, the pugnacious nullifiers had problems that would have given pause to more calculating hotheads. Governor Hayne himself said, "Our supplies come in slowly; we have no manufactories, and indeed the finances of the state would be exhausted in procuring half the number of arms that have been called for." It was replied that the

people were too poor to buy rifles, could these be had, and while they might skirmish in the woods with their shotguns, they could not in the open meet the fire of well-equipped troops. Moreover, the Union men in South Carolina were organizing in armed bands to respond to a call from the President. Civil war within the state loomed as a possibility not too distant.

In his message to Congress, which assembled in December, 1832, Jackson recommended the plan of adjustment whereby the national authority should be upheld, South Carolina's defiance should be withdrawn and manufactures should be weaned from all protection except that essential to national safety in time of war. High tariffs, he said, had never been intended to be permanent, and were certainly no longer justified when government did not need the revenue, when the public debt was extinguished. His allusion to the spirit of revolt in South Carolina was not veiled. Preservation of the Union urged gradual reduction of the tariff to a revenue basis.

The bill introduced in the House, while proposing periodic lowering of important schedules, as of wool and textiles, was not of such a frank and comprehensive sort as was necessary to meet the demands of the crisis. It was superseded by a compromise measure in the Senate framed by Henry Clay. Whether or not this had the previous approval of Calhoun, leader of the nullifiers, it got their prompt sanction. The plan was to reduce by one tenth the excess of duties above 20 per cent in each of four years — 1833, 1835, 1837, and 1839; half of the remaining excess was to come off in 1841, the other half in 1842, after which the uniform 20 per cent should be collected for needed revenue only. The free list was to be enlarged almost at once and much further increased in 1842. Thus, South Carolina was to be appeased by reduction and final abolition of protection. On the other hand, the interests deprived of protection would not suffer a shock, but were allowed a decade for gradual readjustment; moreover, manufactures were to get free raw materials and some softening of the policy of reduction by calculating duties on the higher American value of imports (which included such things as freight) instead of on the lower foreign appraisal.

Clay relinquished as gracefully as he could his traditional stand for protection, and justified concession to South Carolina's defiance, which he pictured as less violent than it undoubtedly was. Webster and others of New England opposed him on principle and in detail. On the other hand, Calhoun's acceptance drew along all Southerners and many northern senators. This compromise bill pushed aside House proposals,

and became law March 2, 1833; the "Force Bill," vindicating national authority, was approved the same day. The compromise tariff act was better as political strategy than as an economic device. The horizontal reduction to 20 per cent was not discriminating, the lopping-off of duties became drastic near the end of the period provided, and the translation of specific into equivalent *ad valorem* customs left room for administrative uncertainty. The attempt to bind Congress permanently to abandon the policy of protection was recognized by most, Calhoun included, to be futile. We shall see (in Chapter 19) that before the decade was over, depression had caused an increase in import duties.

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Chapter 16

Internal Improvements

WE HAVE SEEN that the "American System" of Henry Clay and others was a demand for development and integration of the economic resources of this country, in order to make it more nearly self-sufficing. The program emphasized protection to manufactures, located mostly along the seaboard, and, as a counterpart, construction of means of transportation to knit West with East. Thus the agricultural interior would supply food and raw materials to the industrial towns of the coast, and readily obtain in return manufactured goods. We shall say something now of the turnpikes, canals, and railroads which were the outcome of this policy.

Inland settlement at first followed the bays and rivers. Even small streams, now looked upon as mere creeks, and indeed lower in water than they were before the forests were cut, were navigable for the shallow craft of that early day. Many interior points on tributaries of rivers flowing into the Atlantic are still designated as "landings," though hardly more than a rowboat can reach them. But when settlements began to extend back from these watercourses, some sort of roads had to be made. The Indian trails were used for packing goods on horses and oxen until they were widened for carts and wagons. None were surfaced. The worst had stumps in them; the best were deep with mud except in winter freezes, and laden with dust in summer. Where the chief of these roads crossed, country merchants exchanged "store goods" for the local produce and forwarded this to the towns which sprang up at the junction of the roads with streams, especially at the head of navigation. Also relatively important centers grew up off the waterways, such as Lancaster, Pennsylvania, and Winchester, Virginia, the former connected by a busy highway to Philadelphia, the latter by a road over which grain and flour were taken in heavy wagons eighty miles to the Potomac River. Before 1800, Connecticut peddlers were driving their wagons to the remotest settlements a thousand miles from base, and even coaches passed from Savannah to Boston. Almost four months

were needed to haul freight by road the length of the then occupied Atlantic coast. Bulky commodities could afford only short hauls. Tench Coxe complained in 1792 that many farmers sank from a fifth to a half of the value of their crops in getting them out to seaport towns, and some, deeper in the back districts, could not get them out at all, so high was the cost of carriage in proportion to the value of the freight. Wheat yielded no profit if moved more than one hundred and fifty miles. Hogsheads of tobacco, a pole through the center attached to shafts, were pulled over "rolling roads" to navigation.

There were three roads to the West — that threading the Mohawk Valley of western New York, Forbes's Road across the mountains from Philadelphia to Pittsburgh, and the Wilderness Road up the Shenandoah Valley through Cumberland Gap to Kentucky. These took the emigrants and brought in the manufactured goods which Westerners could not produce for themselves. As late as 1810 the cost of hauling a ton from Philadelphia to Pittsburgh was $125, from New York to Buffalo was $100. Of course, the western people used the Ohio and Mississippi, in spite of vexatious interruptions to their flatboats by the Spanish at New Orleans before the United States came into possession of the whole route by the Louisiana Purchase of 1803. Some of the flatboatmen walked all the way back from New Orleans to Ohio River points after disposing of their produce, though some merchants loaded their goods on ships, sold them at Baltimore or Philadelphia, and returned to Pittsburgh with European and eastern manufactures. After the suppression of the Whiskey Insurrection, hogs and cattle, which transported themselves, seemed the best form in which to take western grain across the mountains; droves of several thousand hogs were common.

The Road to the West

The Cumberland Road, or, as it was often called, the National Pike, ran from Cumberland, Maryland, on the Potomac River, to Vandalia, Illinois, on the Mississippi, and was constructed between 1811 and 1837. As it moved westward past Wheeling on the Ohio, after 1818, its importance decreased, for here it connected the seaboard with trans-Allegheny river transport, including steamboats, and in its later extensions it had to compete with multiplying canals and even railroads. The Cumberland Road, earlier than any other improvement, was the means of peopling the West, for it swelled commerce at both its ends

and all along its route. It helped bind the nation together in the period following the War of 1812–14, when dissension between sections was most threatening. It made impossible such western defiance as the Whiskey Insurrection had illustrated, for it broke down distance and localism, substituting common interests and loyalty. This seven-hundred-mile stretch of macadam — proposed, engineered, constructed, and financed by the federal government — brought a national spirit to West and East alike.

The road had its origin in the Act of Congress of 1802 providing for the State of Ohio, in which it was promised that five per cent of the proceeds of the sale of public lands in the new commonwealth should be devoted to building a road "leading from the navigable waters emptying into the Atlantic, to the Ohio, to the said state, and through the same, such . . . to be laid out under the authority of Congress, with the consent of the several states through which the road shall pass." The road was specifically provided for in 1806, President Jefferson signing the law. Commissioners with their surveyors tramped and talked long before the best route through the difficult mountain country, heavily forested and cut by rushing streams, was determined. For a hundred and fifty miles after leaving Cumberland, the course was that of the old Braddock's Road, which, never good, had been worn out by sixty years of use. The road today, after crossing Negro Mountain at twenty-three hundred feet, sweeps down the western slope of the Laurel Hill into Uniontown, Pennsylvania, past the grave where Washington read the burial service over Braddock. Thereafter the highway followed ancient Indian portages or existing wagon tracks or cut a new path through the wilderness. The modern motorist knows it as "U.S. 40."

The cleared right of way was eighty feet wide, the roadbed itself, even where it was necessary to cut into hillsides, being thirty feet. The road was well crowned, covered with stone, and supplied with masonry bridges and culverts which in many instances serve perfectly to this day. So well was the road laid out that few grades were more than five degrees. The first contracts for construction were let in 1811, and stages were running from Washington, D.C., to Wheeling in 1818. The work gangs were composed largely of farmers along the route, who found it a grateful source of cash. It was estimated that the road, without the major bridges, would cost about six thousand dollars per mile; it turned out that the whole thing, between the Potomac and the Ohio, cost more than twice this. But all the cost for a thorough job was justified by the heavy traffic which immediately poured over the new highway to

the West. In the Monongahela and Ohio, steamboats and keelboats waited for what the stages and wagons would bring, and soon many side roads were adding their tides of traffic. In 1822 just one of the five commission houses in Wheeling unloaded 1081 wagons averaging a ton and a half each, and sent them back East with western goods. Sometimes a score of four-horse coaches were observed in line. Great freight wagons of the Conestoga type, with their blue and red sides and white canvas tops, and droves of cattle, sheep, and hogs were obstacles to faster passengers. Bands of immigrants, one traveler reported, "meant, in their generation, to plough the Mississippi valley from its head to its foot. There was not an idea short of it. What a world of golden dreams was there!"

Monroe's Objection to Federal Control

Four years after it was opened to Wheeling, heavy use had made repairs necessary. A bill in Congress to set up toll-gates to provide the funds was vetoed by President Monroe. In a special message he made the point that the setting-up of gates and the charging of tolls implied a federal sovereignty over territory of the states which certainly was not specifically granted by the Constitution and which could not be argued from any acknowledged powers of the central government. It was all right for the federal government to construct the road, the states having given their assent, but it could not govern the road, once built, unless an amendment to the Constitution conferring the power were made. Monroe's scruples in favor of states' rights led to the solution of the federal government's putting the road in first-rate repair and turning it over to the states through which it ran for its later maintenance and control. Had Monroe not made his constitutional doubts conspicuous, it is possible that the whole major system of internal improvements in this country, including railroads, would have been nationally constructed, owned, and operated. The result, to the states, would probably have been superior to what they received by executing these works themselves. There would have been better choice of routes and means of transport, more economy in financing and construction, and greater standardization. What we had, as a consequence of action by the separate states, was competition which often meant duplication, and financial recklessness which put a heavy tax burden on citizens and brought state credit to the lowest ebb. However Monroe's policy may have been recommended politically, it was economically mistaken. Later large federal

appropriations for internal improvements which were of national importance were approved, but the intrusion of the state had become the rule.

The Cumberland Road was given an all-stone surface from six to nine inches thick, and the tolls charged at the gates, which were about twenty miles apart, were intended to measure the degree of wear on this surface. Thus, droves of sheep passed at less than hogs; led horses at less than ridden ones; wide-tired wagons cheaper than narrow-tired ones; and those with widest tires were free, since they helped to roll the road.

Stage passengers traveled at about ten miles an hour for an average of four cents per mile. Horses were changed at relay points some fifteen miles apart. The stages were at first hardly better than wagons, long, heavy, and without springs. Later types were what we should call today "streamlined," their oval bodies shaped surprisingly like that of the modern automobile, the projecting driver's seat in front matched by a baggage rack at the rear. These elegant stages were swung on thorough-braces, great leather straps riveted together in lieu of springs. The typical coach held from six to nine passengers inside, and another beside the driver. Some stages ran through the twenty-four hours, but most passengers preferred to stop overnight at one of the inns which lined the road. In the older eastern section, where travel was heaviest, these inns were commodious, often of stone; in the newer West they were merely large log cabins. There were at first many stage lines on the Cumberland Road, before competition resulted in consolidation. The most prominent came to be the National Road Stage Company and the Good Intent Line, both with headquarters at Uniontown, and, on the western division, the Ohio National Stage Company. Smaller lines were the "Pilot," "Pioneer," and "June Bug." In the late thirties special stages were used for the mails exclusively, and made much better time than the passenger coaches. The wagoners, moving the freight which was the great business of the road, stopped at wagon-houses, in good weather sleeping beside their teams in the yard, in winter lying on their blankets before the fire in the bar. The wagoners smoked cheap "Conestoga" cigars, whence our "stogies," still identified with Wheeling, which was on the road.

The most prosperous days of the road were those of depression, 1837–40, when tolls produced a third to a half more than before or after. This was because of the migration westward of those who had given up in the East, including many moving from New England. But the tolls

never equaled the expense of upkeep of the great highway. In its later years sections were leased to private companies, but they found they had made poor bargains.

As early as 1832 the House Committee on Roads and Canals was considering the desirability of railways as against the older means of transportation; four years later, the decision to complete the Cumberland Road between Columbus, Ohio, and Vandalia, Illinois, rather than substituting a railroad, was a close one. The last national appropriation for the great road was in 1838; thereafter multiplying canals and railroads had left pikes behind, except for local travel. Then ensued for the roads, surfaced or unsurfaced, a period of local construction and repair, which, since it was inadequate, further diminished their usefulness, and it was not until the twentieth century that federal government subsidies came to the assistance of through automobile highways.

Three Kinds of Canals

The canal era in America extended over the first half of the nineteenth century. A few canals were cut earlier, such as the Dismal Swamp Canal connecting Chesapeake Bay with Albemarle Sound, completed in 1794. Most of the artificial waterways had surrendered primacy to the competing railroads by the end of the period mentioned. The heyday of the canal was in the twenties and thirties.

The canals fall into three groups: (1) the short tidewater canals, all along the coast from New England to South Carolina, the principal ones being those to haul anthracite coal from the beds in Pennsylvania to New York, Philadelphia, and Baltimore; (2) the trunk-line canals connecting the seaboard ports with the Ohio River and Great Lakes; the chief were the Erie and the Pennsylvania Canals, and two which reached into the mountains but did not pass the crest, namely, the Chesapeake and Ohio, and the James River and Kanawha; (3) the canals of the interior, in Ohio, Indiana, and Illinois, connecting the Ohio River with Lake Erie and the Illinois River with Lake Michigan. Only the tidewater canals were constructed predominantly with private funds, and these often had important state assistance; the others were generally public projects.

Most of the canals were unprofitable as commercial ventures. The cost of construction invariably exceeded estimates made by the inexperienced and enthusiastic projectors. The works were subject to damage by floods, and those in the northern part of the country could not

be used in freezing weather. Though they were great improvements over the pack-train and mud roads, they offered slow and cumbersome transport, especially because of the time consumed in lifting and lowering through locks. Three mules could pull a big canal boat at four miles an hour, freight could be moved at four cents per ton per mile, and passenger fares were three or four cents per mile with board. The service of canals lay in helping to develop the country, particularly in opening the region south of the Great Lakes and in tying this to the East. They gave birth to many towns and transformed towns into cities. They provided work for scores of thousands, not only in common labor, but in skilled trades and mechanical and clerical occupations. They also brought their penalties of overexpansion, notably in the panic of 1837. Canal-building was one of the chief expressions of the development of our national economic plant which followed the War of 1812–14, other features of which were protective tariffs and the Second Bank of the United States.

We shall describe three of the more important canals, long ones running east and west. Their problems, physical and financial, are sufficiently illustrative of those encountered in other projects which we have not space to treat.

The Erie Canal, between the Hudson at Albany and Lake Erie at Buffalo, begun in 1817 and completed in 1825, was America's greatest engineering work up to that time. The canal made New York City the chief gateway to and exit from the Ohio Valley and Lakes region, and therefore the country's foremost port and metropolis. The canal was public — in conception, construction, ownership, and management; as Governor Clinton said at its opening, it was built "by the wisdom, public spirit, and energy of the people of the State of New York." Moreover, it was promotional in character, a work of development, spanning a wilderness and populating a huge rich frontier district. It was not an undertaking into which the state entered after its feasibility had been proved by other and privately constructed improvements. The idea of the canal was derided by opponents as preposterous. It has been said that "It would be difficult now to propose an engineering feat that is within the range of sanity that would provoke so much ridicule and debate as did the plan to build the Erie Canal through those hundreds of miles of dense forests and reeking swamps in 1816. A bridge across the Atlantic or a tunnel underneath it could scarcely provoke more sneers today." [1]

[1] A. B. Hulbert, *Historic Highways of America*, vol. 14, p. 113. In our own day the plans of the Tennessee Valley Authority for the promotion of power, transportation, farming, industry,

Gouverneur Morris seems to have been the first to propose a canal, not mere river improvement, between the Hudson and Lake Erie. His "excursive imagination" as early as 1777 envisioned this means of opening the interior of New York and the whole of the Great Lakes district, and for years he took opportunities of bringing to the attention of influential public men the plan of permitting boats to go by artificial waterway over the three hundred and fifty miles between East and West. Secretary Gallatin's comprehensive *Report on Roads, Canals, Harbors, and Rivers*, in 1808, helped greatly to keep this with other projects in the public mind.

In 1810, DeWitt Clinton, a member of the lower House of the New York Assembly, became interested in the scheme along with Gouverneur Morris and others. He secured an appropriation for a survey, and was soon able to present a plan for connecting the Hudson by a canal, not with Lake Ontario, but directly with Lake Erie. Only this would give New York City a means of competing with Montreal and the cheap St. Lawrence freights for the western traffic. In 1812, Robert Livingston and Robert Fulton joined the committee, which urged the scheme on Congress as one of national importance, and secured the approval of President Madison, who felt the proposed waterway would be useful in the war then opening. The War of 1812–14 suspended further action on the canal project, but brought the need of it forcibly to governmental and public attention. Military operations in the Northwest were made inordinately expensive by the lack of transportation. It is said that the government paid $400 for a cannon and from $1500 to $1800 to haul such a piece to Lake Erie; flour delivered at Fort Meigs cost $100 a barrel, and the western garrisons ate pork at $127 per barrel. This was in contrast to the contemporary calculation of Robert Fulton that a bushel of salt, then costing $2.50 to haul 300 miles through the frightful roads, could be carried this distance by canal for seven and a half cents. He thought that canals could move freight for one cent per ton per mile. The war cut us off from commerce with England, made us dependent upon ourselves, demonstrated the political and commercial profit of binding the East to the rapidly filling West, and gave us confidence in the capacities of government to carry through great undertakings.

conservation, and health in the empire of six states have been similarly decried as outside the function of government and ruinous to its credit. The truth is that only government is strong enough to execute such mammoth works, the results of which must be profitable to society as a whole rather than to individual investors. The Panama Canal is another instance. When it is objected that government cannot initiate, plan, build, and administer gigantic projects, the Erie Canal in our early national history may be remembered in refutation.

Methods of Canal Construction

After the failure to get help from Congress, other disappointments were in store for the friends of the canal project. In 1812 the New York Legislature authorized the borrowing of five million dollars on the credit of the state for the canal, but the money could not be had at home or abroad, and two years later the act was repealed by opponents of the undertaking. The real motivating agent back of the canal scheme was DeWitt Clinton, mayor of New York City. His enthusiasm and resourcefulness would not down. In 1816 a long memorial explaining the usefulness and feasibility of the work, drawn up by Clinton, was presented to the legislature and resulted in an act the same year making an appropriation for surveys. Clinton pointed out that canal freight would cost only a fraction of the land carriage. Referring to the great traffic on the Hudson, he said: "If a river or natural canal, navigable about 170 miles, has been productive of such signal benefits, what blessings might not be expected, if it were extended 300 miles through the most fertile country in the universe, and united with the great seas of the west!" In this communication with the lakes region, New York City, only 470 miles from Buffalo, would have a certain advantage, not only over Montreal, by way of which it was 800 miles to the sea, but also over New Orleans, which was near the exit of a route 2350 miles long. "As the upper lakes have no important outlet but into Lake Erie, we are warranted in saying, that all their trade must be auxiliary to its trade, and that a favorable communication by water from Buffalo, will render New York the great depot and warehouse of the western world." The New York route would encounter neither the bitter cold of Canada nor the unhealthful heat of the lower Mississippi.

There was also a certain appeal to patriotism, which got a strong response so soon after the war with England: the canal, by going to Lake Erie instead of to Lake Ontario, would give business to the United States instead of to Canada. DeWitt Clinton spoke reassuringly about the cost of the canal and its engineering problems. Labor would be easy to get among discharged soldiers at home and immigrants ready to leave the troubles of Napoleonic Europe. The canal would cement East and West, a result important to permanent national union.

Clinton was appointed one of the canal commissioners, and in 1817 his prestige was raised by his election to the governorship of the state. The engineering work was proceeding, but a new bill providing taxes and other measures for financing the great project was passed only against

the solid and stupid opposition of the New York City members of the legislature, and this despite the fact that the canal was to be the commercial life-line of the city. Clinton and his friends could not put down this opposition at once. Parts of the state not immediately benefited were brought into line only by promises of good roads or feeder canals to serve them.

The actual construction of the Erie Canal was wisely begun at Rome, in the middle section, where the job was easiest, July 4, 1817. The total length was to be 360 miles, comprehending a fall, from Lake Erie to the Hudson, of 565 feet. There had been not so much as a stage line along the route of the projected canal. The population of the state was only a million and a half, but it now undertook a work that was expected to cost six million dollars, and which ran, it turned out, two million dollars above the estimate. Engineering experience was of the slightest, but Canvass White, a young man whose extraordinary capacity in this respect won him rapid promotion, walked two thousand miles along the towpaths of Europe and applied his observations in New York. He led the way in manufacture of the first cement made in America. The stretches of swamp, such as those near Syracuse, with their fevers and matted roots, were even harder to cut through than the rocky places where hand drills and weak black gunpowder were the only means of progress. The Erie Canal construction developed several ingenious pieces of equipment. Sharp plows were devised for cutting the tangled roots. Horse-drawn scoops were substituted for shovels. A cable, a wheel, and an endless screw permitted a man, aided by the power of one horse, to pull over the largest trees. Stumps were torn up by a cheap and effective contrivance.[1]

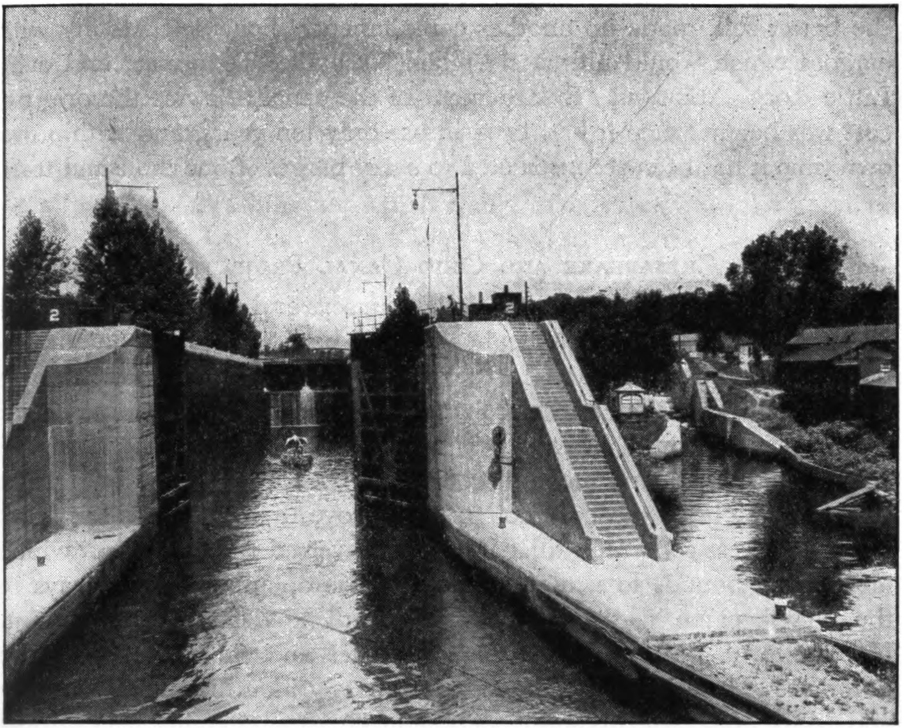
Within a year more than two thousand men, many of them "wild Irish bog-trotters," and others farmers of the vicinity, were at work with a thousand horses and oxen. The cut was forty feet at the water surface, twenty-eight feet wide at the bottom and four feet deep; the locks were twelve feet wide and ninety feet long, capable of holding boats of a hundred tons. Not least of the problems of construction was the hauling of materials and supplies through a wilderness. The cities which were soon to line the canal were then mere settlements; most people in New York City had never heard of the remote Buffalo.

[1] This was a great wooden axle thirty feet long held at the ends in the hubs of wheels sixteen feet in diameter. In the center of the axle was a drum twelve feet in diameter. The axle, with a chain attached to it, was moved over a stump, to which the other end of the chain was made fast. Then horses would walk off with a cable wound about the twelve-foot drum, and up came the stump. The team was then hitched to the axle and, the big wheels coming into play, the stump would be moved away for dumping.

Triumph of Clinton in the Canal's Completion

The work proceeded briskly. Some of it continued through the winter when swamp muck, frozen, was more easily handled and when roads were hard. As a navigable section was finished, it was promptly opened, the first being that between Rome and Utica, in 1819. But if the cutting of the canal went on swiftly, so did partisan politics try to cut Clinton out of the fame which grew out of his championing the canal. "Clinton's Big Ditch" it was derisively called. Tammany Hall tried to stop the canal at Rochester and join it there, via the Genesee River, with Lake Ontario. But Clinton kept telling the people that the canal must reach to Lake Erie. He was vigorously opposed for governor in 1820 on the canal issue, was barely re-elected, and refused to run again in 1822. In 1824, he was even deposed as a canal commissioner, but this envious act had only the effect of giving him the governorship that same year by an unprecedented majority. More and more of the artificial river was opened. Boats for it were built on every hand, and from the first the tolls exceeded expectations. In 1824 almost $300,000 had been collected. Albany found its wholesale business quadrupled. New York City had grown by thirty-five hundred new buildings in 1824. Subsidiary canals from Lake Champlain and elsewhere poured in their traffic.

In October, 1825, the canal was opened throughout its length, and ceremonies the like of which had not been seen before began. The story has often been told of how Clinton and his staff were given a send-off in the *Seneca Chief* from Buffalo. The boat bore a great picture of Clinton represented as Hercules resting from his labor. Cannon placed at intervals along the route were discharged in quick succession to carry the news to New York City and back again. One of the canal boats in the flotilla was *Noah's Ark*, carrying a bear, two eagles, two fawns, some fish, and two Indian boys, all heralded as "products of the West." At every stop there were cannon salutes, transparencies, triumphal arches, dinners, high-flown speeches and original odes. At length the exhausted governor reached Albany and his *Seneca Chief* was towed down the Hudson to New York, where he was met with congratulations by the Corporation of the City. All proceeded to the open sea at Sandy Hook, where Clinton poured out the contents of two kegs brought from Lake Erie, signalizing the "marriage of the waters." One of the boats, the *Young Lion of the West*, thereupon gave a great roar from a pair of brass lungs provided for the occasion. New York City paraded, danced, dined, and the western delegation was sent home with more kegs, filled



Keystone

ERIE CANAL

Enlarged lock at left, old lock at right.

with Atlantic water, to be dumped in Lake Erie to make the marriage all the more sure.

The canal cost almost $8,000,000, or a little more than $19,000 per mile. But the tolls ran far ahead of calculations, in the decade 1825 to 1834 amounting to $8,540,000, or more than the entire cost. On the junction canal above Albany, which had traffic from both West and North, 13,000 boats in 1825 grew to 19,000 in 1826. Westerners got eastern manufactures much reduced in price, and yet sold their grain, lumber, meat, hemp, ore, and furs to hitherto unknown advantage in the Atlantic markets. Boom cities sprang up along the canal, Rochester being woods in 1812 and eight thousand people the year the canal was opened. The bottom stories of warehouses were occupied while carpenters were still at work above. Immigrants from Europe, bound for western lands by the new route, made up many of the scores of thousands who crammed the packet boats, and New Englanders, eager for

the better soil, made up another complement. Boats left Albany with cargoes which would ultimately reach Nashville, Tennessee, and even Little Rock, Arkansas. Enlargement of the canal at twice the original cost was begun when it had been in use only ten years, and within our own time it has been reconstructed to carry barges of one thousand tons.

Chesapeake and Ohio Canal Projected

George Washington, from his earliest surveys and military expeditions in the country west of the Alleghenies, had been alive to the latent importance of the region and to the necessity of connecting it, in trade and in loyalty, to the eastern seaboard. Before the Revolutionary War was formally closed, he was again exploring to get "a more extensive view of the vast inland navigation of these United States. . . . Would to God we may have wisdom enough to improve them [these waterways]. I shall not rest contented till I have . . . traversed those lines . . . which have given bounds to a new empire." The opening of waterways to the West became his principal business until he was elected President. He examined and considered various routes and chose that from the Potomac. He was personally most intimately identified with Virginia and Maryland; here his influence would be most effective. Transport to the West would develop that section, wean it from reliance upon the Spanish at the mouth of the Mississippi, and bind the Union.

Accordingly, at Washington's urging, by 1785 the legislatures of Virginia and Maryland passed identical acts incorporating the "Potowmack Company" to extend navigation as high as possible on that river. Both states subscribed to stock. The plan was to link by roads the headwaters of streams flowing eastward and westward and thus reach the Ohio Valley. Under Washington's presidency of the company a canal was built around the Great Falls of the Potomac, just above Georgetown, and obstructions were removed at Seneca Falls and Harper's Ferry to give some kind of navigation all the way to Cumberland, Maryland. This was done with much physical and financial difficulty, and when Washington became President of the United States the project languished. Thirty-five years after work began a committee of the Virginia Legislature reported that the undertaking was a proved failure; almost three quarters of a million dollars had been expended, and yet navigation was dependent on floods and freshets, and could be had only forty-five days in the year.

The completion of the Erie Canal was approaching. This persuaded

the old Potomac Company to abandon the river for a canal paralleling it, and the Virginia Legislature chartered the Potomac Canal Company. It was hoped that that state, the District of Columbia, and Maryland would subscribe equal thirds to the stock. But Maryland balked. Baltimore would be called upon to help pay for cutting a waterway, terminating at Washington, which would take traffic from the Cumberland Road, the westward highway of the Maryland metropolis. Maryland's co-operation was obtained by providing for a lateral canal to Baltimore. The participation of Pennsylvania and Ohio was sought so that the canal might reach the Ohio and afterward the Great Lakes. It was innocently supposed that a canal might be constructed to connect Potomac tidewater with the Ohio River, even though it must include a tunnel a mile and half long under Little Backbone Mountain, costing a million and a half dollars. Such optimism marked the history of most early works of internal improvement. It was destined to emphatic disappointment. Even so, there was the disturbing doubt whether sufficient flow of water was to be had to supply the canal at summit level. This was the last bane of canals which rose to mountain heights.

Capitalization was raised to $6,000,000. But a report in 1826 of engineers of the federal government estimated that the whole project would cost $22,375,000. By the route now urged through western Pennsylvania, the locks would have to lift to a summit 1961 feet high, at which there must be a tunnel four miles and eighty yards long. Merely the eastern section, to Cumberland, was to cost $2,000,000 more than the capitalization of the company.

The Baltimore and Ohio Rivals the Canal

The high estimate of cost now combined with other considerations to produce in Baltimore a rival project, the Baltimore and Ohio Railway, the history of which in early years is intertwined with that of the Chesapeake and Ohio Canal. Baltimore had already lost western business to New York through the Erie Canal, and Philadelphia was planning to secure more through her combined canal and railroad line to Pittsburgh, which had been launched. Philip E. Thomas, a Baltimore bank president and a Maryland commissioner for the Chesapeake and Ohio Canal, was convinced that the Potomac waterway could never be pushed beyond Cumberland; that it was not feasible to construct a lateral canal to Baltimore. Therefore, his city must reach the West, and that speedily, by building a railroad to the Ohio Valley.

In February, 1827, a score of Baltimore businessmen met in Mr. Thomas's parlor "to take into consideration the best means of restoring to the City of Baltimore that portion of the Western Trade which has lately been diverted from it." Thomas and George Brown, his closest collaborator, had brothers in England who reported favorably on the first railways in use there. The Baltimore promoters concluded that rail roads (at first literally roads consisting of rails, the cars being drawn by horses) would "supercede Canals as effectually as Canals have superceded Turnpike Roads." Within a year, by February, 1828, Maryland, Virginia, and Pennsylvania had granted charters for building a railroad from Baltimore to some point on the Ohio River. The canal company started out with a subscription of $3,600,000, the railroad with half a million more. Both celebrated the start of construction on July 4, 1827, President John Quincy Adams turning the first spadeful of earth in the canal cut above Washington and Charles Carroll of Carrollton, the only surviving signer of the Declaration of Independence, laying the "first stone" of the railroad on the western outskirts of Baltimore.

Because both canal and railroad must use the Maryland side of the valley of the Potomac, bitter and wasteful contest between them, stretching over years of construction and operation, was inevitable. The first waste was in duplication. Thus, at the outset of the history of long-distance transportation the evil of parallel lines showed itself. The mutually antagonistic claims for right of way, for capital, for labor, and for patronage were the results of a rivalry injurious to both undertakings. When construction was the need, court action took time and resources of both sets of promoters. Crossing the mountains in each case proved more expensive than had been supposed. We shall see other examples of this hurtful duplication, which produced fierce competition, ruin of luckless rivals, corruption of financial management, exploitation of the public, and finally, in our own day, a demand for system to replace confusion. In the case of the Chesapeake and Ohio Canal and the Baltimore and Ohio Railway the conflict went to the comical length of a compromise whereby the two lines were jointly built through disputed territory. The railroad reached Harper's Ferry in 1834, but here it was to halt to allow the slower canal to be dug more than a hundred miles beyond it to Cumberland.

In 1835, when both canal and railroad had come to a pause, the Maryland Legislature, in full flush of pre-panic enthusiasm for internal improvements, appropriated seven millions for these undertakings, three millions to the main canal, a half-million each for lateral canals to Balti-

more and Annapolis, and three millions to the railroad. Further, the railroad was now permitted to proceed up the Potomac Valley to Cumberland and beyond without waiting for the progress of the canal. This act enabled the iron line to outdistance the canal. On the railroad, cars drawn by horses and a basket-like car with a sail had been superseded by Peter Cooper's *Tom Thumb* locomotive, which in 1830 passed over the short length of line then completed at the rate of ten miles an hour, beating a horse-drawn car in a race. Immediately thereafter other, better locomotives were produced in response to a premium offered by the railroad, and soon animal horsepower was pushed off the rails. Promptly recovering from the depression following 1837, the Baltimore and Ohio Railway reached Cumberland, Maryland, in 1842, the point which was to be the terminus of the canal, but which it did not reach until 1850. The railroad was completed to Wheeling, Virginia, on the Ohio, early in 1853.

The canal struggled westward painfully. For a dozen years costs constantly increased, partly because wages, in the full tide of canal construction all over the country, had greatly advanced. There was constant need for more money, to satisfy which every possible financial expedient of both state and company was explored and exhausted. It seemed wasteful to abandon the canal after the years of effort and millions of dollars that had been invested in it, but there was the tormenting thought that good money was being thrown after bad. This suspicion was fed, not only by the troubles of the canal, but by the ease and speed with which the railroad, powered by locomotives, was leaping ahead. This canal, like others, was doomed by the railroad before it was completed, though the issue of the contest was only dimly seen at the time.

Succession of Financial Expedients

When the financial depression dragged on and the treasury of the company was empty, the contractors, merchants, and others along the line of the canal begged that scrip — company-created money — be issued. This was at first done on pledge of state bonds held by the company as security, but later, the demand still being imperious, the impressively engraved certificates, looking like bank-notes, were put out, more than half a million dollars of them, on the doubtful credit of the company only. When all else failed, some contractors continued work on their own credit and at their own risk, trusting to the legislature to

recognize their claims. They were disappointed, and in 1841 all work stopped. Aside from its huge debt to the state, the canal company owed individuals more than a million dollars. The credit of the state, largely because of appropriations for the canal, was ruined. Freshets washed out the canal embankments, and only by the most desperate borrowing were a few dollars brought together to patch them up. Presently other financial expedients were resorted to and construction struggled forward, but only to see the canal formally declared abandoned. It was now really within sight of completion, however, and a new contractor promptly cut it through to Cumberland in 1850. The 185 miles had cost, all told, more than $11,000,000 or nearly $60,000 per mile; this was more than the 1826 estimate which had so shocked early optimism.

The canal for a time after completion was a success, with revenue of almost a million a year and net earnings of a fourth as much. Eight hundred boats at one time were operated on it, among them some passenger packets in spite of competition from the railroad. But its days of prosperity were few. By the late eighties loss of traffic to the railroad, floods that tore its banks, and state politics which tore at its management had reduced it to a gloomy prospect. It was abandoned in 1924 for good and all, in long sections its water flowing back into the parent Potomac and leaving coal barges to settle to the muddy bottom, where they were idly viewed by riders on the triumphant railway alongside.

Philadelphia's Westward Reach

Philadelphia was spurred by the brilliant success of the Erie Canal, which gave so much western business to New York, and by the plans of Baltimore and Washington, to promote her own connection with Pittsburgh. The result was the Pennsylvania Canal, the main line of the "Pennsylvania System of Public Works," construction of which was begun in 1826 and completed in 1835. This was a combination, over a distance of 394 miles, of several means of transportation, each dictated by the difficult lay of the land. There was a railroad, at first using horses, from Philadelphia to Columbia on the Susquehanna River, a distance of 81 miles; then canal and some slack-water navigation, in pools of rivers made by damming, to Hollidaysburg at the eastern foot of the Alleghenies, of 170 miles; then a fearful and wonderful "portage railroad" over the mountains to Johnstown, for 35 miles; this was completed by another canal to Pittsburgh, of almost 100 miles.

The Erie Canal the Envy of Pennsylvania

In 1823, a committee of the Pennsylvania Legislature recommended that surveys be made of a route connecting the Susquehanna, where an existing canal was to end, with the Allegheny River on the other side of the mountains. The Erie and the proposed Chesapeake and Ohio Canal, the committee said, "should excite a spirit of emulation and induce Pennsylvania to create improvements of a similar character. . . ." The next year three canal commissioners were in the field all summer and autumn, and rendered a divided report on the practicability of dealing with the mountain summit of 2288 feet. Two commissioners thought this was feasible by means of a tunnel four miles long through the Alleghenies from Hollidaysburg on the eastern slope of the range to the roaring Conemaugh River on the western slope and so by the Allegheny River to Pittsburgh. They thought it necessary to explain to the legislators that a tunnel was "a hole like a well dug horizontally through a mountain or hill." The whole canal to Pittsburgh would cost only $3,000,000, and the tolls collected from it would "support the Government and educate every child in the Commonwealth."

But the invigorating mountain air had failed to make the third commissioner similarly optimistic, for he reported that "the whole country . . . is mountainous; mountain rising after mountain in quick succession. The main one, where the proposed tunnel is to pass, is hemmed in and surrounded by other high mountains, with steep slopes separated from one another by narrow ravines and presenting no favorable situation for canaling, either by lockage or tuneling." Debate over this cleavage of opinion caused delay. There was the usual objection of those with a vested interest in the old method of transport. In 1825 a pamphlet, *Facts and Arguments in favor of adopting railways in preference to Canals in the State of Pennsylvania,* went through several editions, and a commission explored the feasibility of a railroad from Philadelphia to Pittsburgh.

But the completion of the Erie Canal had determined Pennsylvania to imitate that project, in spite of mountains. The Pennsylvania Society for the Promotion of Internal Improvements in the Commonwealth, in which the persistent publicity work of the little Irishman, Mathew Carey, played so important a part, organized state-wide meetings in favor of the canal. New canal commissioners were appointed by the legislature, an act declared the canal "practicable, and within the means of the state," and authorized the beginning of work upon it. It was started July 4, 1826. It was soon decided that the canal tunnel through

the top of the Alleghenies, if it could be cut, still could not be supplied with water, and since locks would be under the same difficulty, inclined planes of railway offered the only solution.

The Ark on Ararat

The remarkable portage railway, the connecting link between the canals which came to Hollidaysburg on the east and to Johnstown on the west, was begun in 1830 and opened for business in 1834. This device for taking canal boats over a mountain height a third of a mile above the terminals was a desperate solution. The awkwardness of the method shows the strength of Philadelphia's determination to find a way to the West. The road was a series of eleven "levels" and ten "inclined planes." The levels were themselves gently inclined, and over them horses or little locomotives drew the boats, mounted on wheels, to the steeper planes. At each of these the team or locomotive was unhitched and a hawser connected to a windlass, operated by a stationary engine at the top, was hooked on. On the eastern slope, after double tracking, advantage was taken of gravity, one load going up being partly balanced by another going down at the same time. The path of this old road, up hill and down dale, may still be seen; the stone blocks on which the rails rested are still in place over long stretches. The thing is in extraordinary contrast to the motor speedway, opened in 1940, which sweeps over the same height. The use of inclined planes was not new, but this Pennsylvania portage, thirty-seven miles, was far the longest yet constructed, and was considered a wonder of the age. The *Hit or Miss* keelboat was the first to cross the Alleghenies on the portage railway. She took a full afternoon to go up the eastern slope from Hollidaysburg; she "rested at night on the top of the mountain, like Noah's Ark on Ararat, and descended the next morning into the Valley of the Mississippi, and sailed for St. Louis."

The Allegheny Portage Railway cost more than $1,500,000 and the whole transportation system from Philadelphia to Pittsburgh over $10-,000,000, or half a million more than the Erie Canal. The portage was not the only complicated feature of the system. The western canal, from Johnstown to Pittsburgh, had 64 locks, 10 dams, 2 tunnels, 16 aqueducts, 64 culverts, 39 water weirs, 152 bridges, and 21 miles of slack-water navigation above dams in rivers. The eastern canal was much the same. The whole trip at first took a passenger the better part of a week.

This invention was too cumbersome to be long used. By 1855 the Pennsylvania Railroad, covering the whole distance from Philadelphia to Pittsburgh, was complete, the canal-and-railway line was out of date, and, section by section, was abandoned between that time and 1900.

Western Canal Mania

The devastating effects of state canal promotion and financing, under stimulus of the mania of the thirties, was illustrated in the case of Indiana. The central project was the Wabash and Erie Canal, running from Evansville on the Ohio northeastward diagonally across the state and extending through the northwest corner of Ohio to Toledo on Lake Erie; when completed, it was 452 miles, the longest canal in America. When work was started in 1832, after protracted discussion in which the advocates of railroads instead of canals barely failed of carrying their point, the resources to meet a large and continuing expenditure were pitiably slender. Public lands, granted by Congress, contiguous to the canal sold at low prices, and the state tax revenue of a little over $30,000 was just enough to cover the costs of government.

But the Erie's success robbed the western people of their senses: state loans were authorized, a thousand men were soon put to work, and in 1836 Indiana splurged in a law authorizing a complete network of canals, railroads, and highways to cost $13,000,000, one sixth of the state's wealth, or twenty dollars of debt for every person in Indiana. Boom towns sprang up everywhere, bonfires were lighted in every community, and orators had boundless optimism. It was freely said that the public improvements, by their tolls, would pay all expenses of the state government, abolishing taxes.

But the morning after proved gloomy. There was delay in getting Ohio to make the extension to Toledo, which was essential. The canal commissioners, from all parts of the state, demanded that work begin in their localities, so that many projects were started while none was carried to completion. Some of the commissioners were dishonest; in their bond sales they robbed the state of millions, and the feeble legislature, when it tried to investigate, could not unravel the tangle of inefficiency and fraud. The panics of 1837 and 1839, which were due in large measure to just such overambitious undertakings, found Indiana overwhelmed with debt. For $15,000,000 in bonds the state had received cash amounting to a little over half as much, and this had been sunk in disconnected works which yielded insignificant tolls. Freshets

washed out canal banks, requiring costly repairs, or droughts left the ditches dry. Railroads began to parallel the lines of canals and took away even the prospect of business. Abandonment of most of the canals seemed at the time even more costly than trying to complete them. State scrip was issued, bringing perilous relief to contractors and merchants along the canals; this soon depreciated to less than half its face value. In the late forties, business picked up, bondholders pressed for their interest, and the state had no other choice but to invite them to take the Wabash and Erie. It still needed $2,250,000 to be spent on it, but the bondholders, the Rothschilds among them, had to accept the unwelcome settlement. The state shouldered a debt of nearly $7,000,000, which was the heavier to bear because now railroads were the universal cry, and the canals and all their crumbling banks and rotting aqueducts and mosquito-breeding reservoirs were testimony to past folly. Finally, hopeless parts of the Wabash and Erie were closed, and by 1875 the last boat had struggled through what remained.

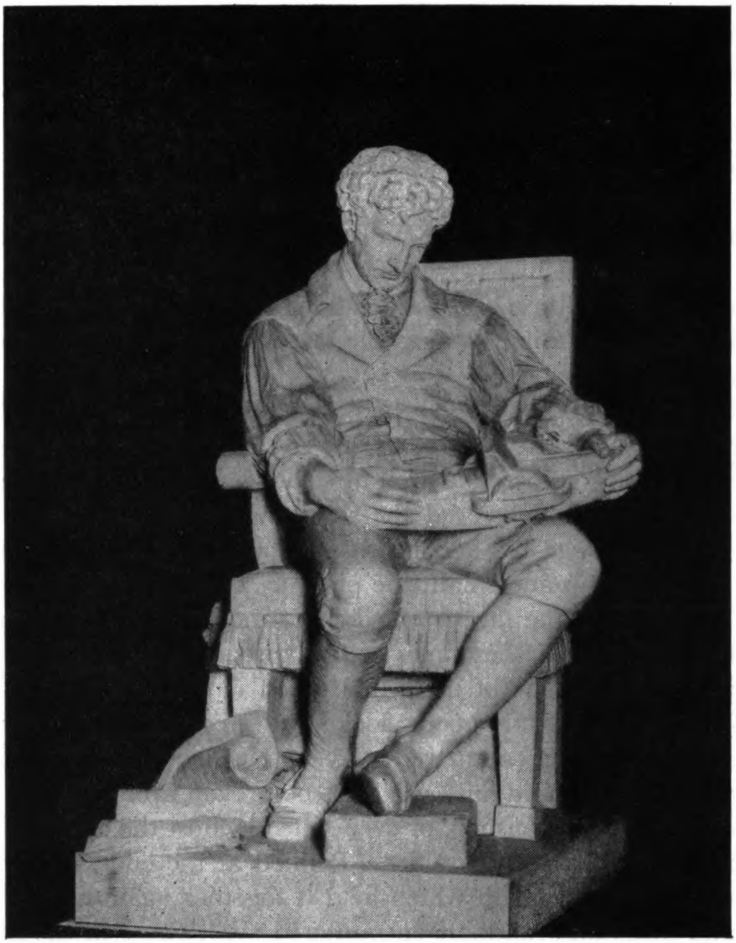
Still, this was a way of opening Indiana to settlement and commerce. As with most other canals, the bookkeeping results were disappointing, even alarming, but the social effects, for state and nation, were broadly beneficial.[1]

The Advent of the Steamboat

On August 17, 1807, watchers from the high banks of the Hudson River saw below them, breasting the current, what one described as a "backwoods sawmill mounted on a scow and set on fire." The strange craft was Robert Fulton's *Clermont*, making her first voyage from New York to Albany, 150 miles in 32 hours. She was 133 feet long, 18-foot beam, without deck in the center where her Boulton and Watt engine, with its single huge cylinder, drove the splashing side paddle wheels. When the *Clermont* reached Albany, the triumph was too much for the chief engineer, who got drunk, leaving the easier return trip to his assistant. The steamboat had been "invented with a view to the navigation of the Mississippi from New Orleans upward." Fulton wrote to his financial backer, Chancellor Robert R. Livingston: "Whatever may be the fate of steamboats for the Hudson, every thing is completely proved for the Mississippi, and the object is immense."

Fulton's *Clermont* was what would have been called in a later day, in automobile parlance, an "assembled job." He skillfully combined elements which others had proved. Before his time a number of Ameri-

[1] The facts here recited are taken from Alvin F. Harlow, *Old Towpaths*, chap. XXVI.



Harris and Ewing

ROBERT FULTON

cans had experimented with steam navigation. The chief was John Fitch, whose boat with upright paddles, in 1786, was followed by others of his with side wheels and one with a screw propeller. His *Thornton* ran in regular packet service on the Delaware River for several years after 1790. Fitch was granted a monopoly in several states, but never could get sustained financial backing, and died by his own hand in miserable poverty in Kentucky. John Stevens of Hoboken after 1791 built a half-dozen steamboats. James Rumsey of Maryland tried out Franklin's idea of driving a boat by ejecting steam under the stern. Oliver Evans and Robert Livingston were other pioneers.

Fulton's *Clermont* continued to run on the Hudson until 1814, together with his *Car of Neptune*, *Fire Fly*, and others of his design.

Fulton was given a monopoly of steamboat navigation in New York, and sought the same guarantee when Governor Claiborne of Orleans Territory, in 1810, begged that the new invention be brought to his western waters. Of the organized governments along the Mississippi only the legislature of Orleans Territory gave its assent, and the force of this exclusive franchise was promptly disputed when, in 1812, Congress made it a condition of the admission of the State of Louisiana that the Mississippi and all its navigable tributaries "should be common highways, and forever free."

In 1809, Nicholas J. Roosevelt had been sent to Pittsburgh by Fulton and Livingston to float down the Ohio and Mississippi and report on the prospects for commerce as well as steam navigation. Here the advance agent of steam surveyed the slow, awkward craft then used to carry western immigrants and goods for the river towns. There was the log canoe, cheap and small; the pirogue, a larger canoe, capable of carrying some tons; the flatbottomed skiff, and its big brother the batteau; then the "flats," sometimes called "broadhorns" from their two projecting sweeps. One of these high-sided flats, loaded with family, stock, farm and household goods, looked a "mixture of log cabin, fort, floating barnyard and country grocery." Keelboats and barges were faster, cost more to build, and need not be broken up at the end of the trip, for they could be pushed, or even sailed against the current. They had ribs and planking and rudder. Pointed at the ends, the keelboat had a solid timber beneath which held it together against rocks of the rapids and snags and sandbars encountered everywhere in the shallow, shifting channels. Keels and barges freighted with twenty to forty tons could be rowed downstream at four or five miles an hour, but coming back against the current, especially with any load, was a heartbreaking business at two miles an hour. Eight or ten men pushed with poles, planting these on the river bottom at the prow and walking to the stern. If no amount of this toil would answer, warping might be tried. This consisted of fastening a rope to a rock or tree ahead, some hauling while others with their poles kept the unwieldy boat away from obstructions. "Bushwhacking" was pulling along by branches that overhung the stream.

Notwithstanding their demands on patience, muscle, and ingenuity, great numbers of these craft plied the western rivers. In 1810, pilots took 743 boats over the falls below the little town of Louisville on the

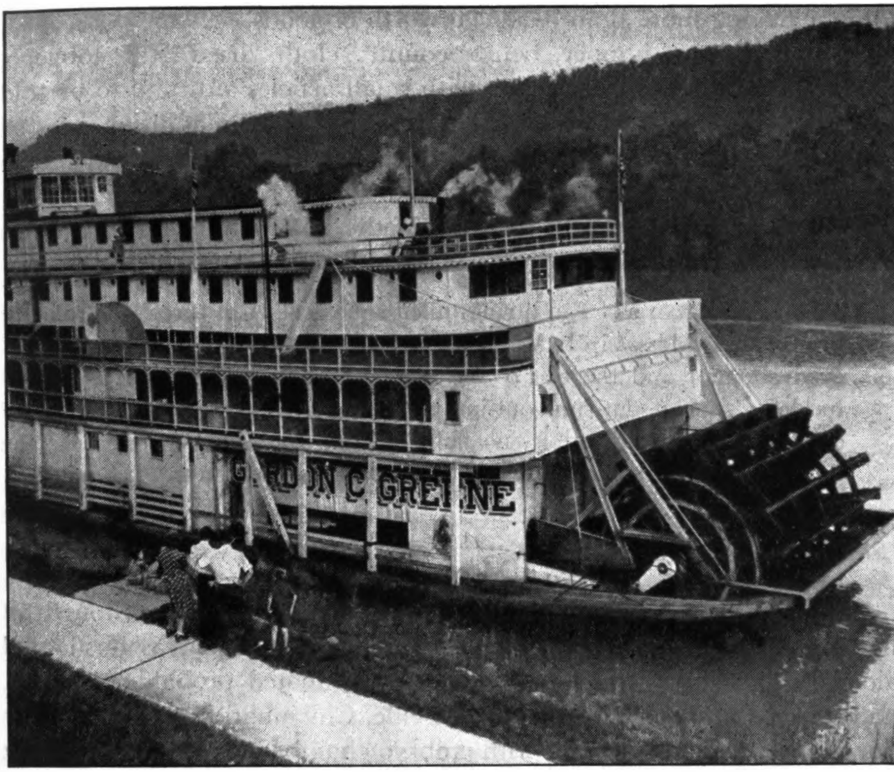
Ohio, carrying more than $350,000 worth of goods — flour, pork, lard, corn, oats, butter, lumber, hemp, country cloth, dried fruit, tobacco, horses, hogs, whiskey, and cider, with small articles of utility to be sold to settlers in the wilderness. A third as many boats, in addition, crossed the falls at high water without assistance. Heavy barges would return after a year of unremitting labor; keelboats in half that time. They needed all the toughness of the king of the boatmen, Mike Fink, who described himself as

> a Salt River roarer! I'm a ring-tailed squealer! I'm a reg'lar screamer from the ol' Massassip'! Whoop! . . . I'm half wild horse and half cock-eyed alligator and the rest o' me is crooked snags an' red-hot snappin' turkle. . . . I can out-run, out-jump, out-shoot, out-brag, out-drink, an' out-fight, rough-an'-tumble, no holts barred, ary man on both sides the the river from Pittsburgh to New Orleans an' back ag'in to St. Louiee.

Fulton's Monopoly Broken

Fulton and his agent thought the steamboat could save a fourth of the time consumed by the manpower craft. Roosevelt, as he floated along in his "flat," had gauged current, estimated probable loadings, had stopped at the log towns — Louisville, Cincinnati, St. Louis, Vicksburg, and the rest — to talk with embryo chambers of commerce about the intended improvement. Back in Pittsburgh in 1810, he superintended the building, according to Fulton's plans, of the pioneer western steamboat, the *New Orleans*. Her boiler was of gleaming copper, lugged over the mountains. She was of more than three hundred tons capacity, with holds for freight and cabins for ladies and gentlemen. Most rivermen predicted, when she set out in October, 1811, that she would never reach her destination. She did have a perilous passage of the falls of the Ohio, found the flood waters of the Mississippi swayed by earthquake, was chased by canoes of Indians, broke a paddle wheel, but puffed to the wharf at New Orleans in less than eleven days' running time from Pittsburgh. She ran between New Orleans and Natchez for two years until snagged.

The Ohio Steamboat Navigation Company, consisting of Fulton and the Livingstons, set about building more steamers for the western rivers, but others defied their monopoly. Henry Miller Shreve, a successful barge captain (Shreveport, Louisiana is his namesake), became the chief competitor. He helped Daniel French launch the little *Comet*, a stern-wheeler, which ran to Louisville in 1813 and the following year



Gendreau

STEAMBOAT ON OHIO RIVER

to New Orleans. Shreve took French's second steamboat, the *Enterprise*, to New Orleans in time to help Jackson defeat the British at that place, January 8, 1815. In the spring the *Enterprise* ascended all the way to Brownsville, Pennsylvania, in a month, the first steamboat to perform this feat. The *Washington*, launched in 1816, embodied several new ideas of Shreve. She was of 403 tons, but drew less water than her smaller predecessors. She had two decks, so that passengers could be placed above the waterline, and not be treated like cargo. She had a double, high-pressure engine, with horizontal cylinders. She had what came to be the inevitable feature of river boats, a barroom. Her magnificence, appealing to western pride, was too much for the monopoly, which offered to take Shreve into partnership. He refused, and soon the monopoly was disallowed in Louisiana and New York as well. The *Washington* conquered the current to Louisville under normal conditions of the river, putting beyond dispute the round-trip practicability of steam-

boats. By the fifties the fastest steamers ran from New Orleans to Louisville in less than five days. In 1870 the *Robert E. Lee* won the classic race against the *Natchez* from New Orleans to St. Louis in three days, eighteen and a half hours.

We do not need to follow the later history of western steamboating in any detail. Immigrants heading westward took steamboats in preference to the covered wagon when they could afford it, reaching the wilderness waterways via New Orleans, through the Erie Canal to the Lakes, or over the mountains to Pittsburgh or Wheeling. Before the throngs could come, by whatever means, from New England and the middle states, from Ireland, Germany, and Scandinavia, the Indians had to be settled farther westward. From 1850 to 1870 occurred the grand rush of immigrants. Midway of this period, Chicago, which had been an Indian encampment thirty years before, reached a population of more than a hundred thousand, and other western cities struggled to compete. The half-million people in Wisconsin, Iowa, and Minnesota in 1850 were quintupled by 1870.

The steamers changed their architecture to pack in passengers; a hundred "immense Mississippi beasts, resembling a sort of colossal white sea-bears," might be seen at St. Louis at once; their saloons and staterooms were gilded elegance, but their triple decks had to serve for the immigrants, who fed themselves, spread their pallets on the planking, and all too often spread consternation with deaths from cholera. Competition between the steamboats led to fierce rate-cutting, low wholesale fares for clients of the immigration companies, and contests of speed which ended in notorious boiler explosions and conflagrations. At other times there were the perils of snags and sawyers — tree-trunks weighted by their roots and held at an angle fatal to the frail hulls — or the exasperating business of grounding on sandbars.[1]

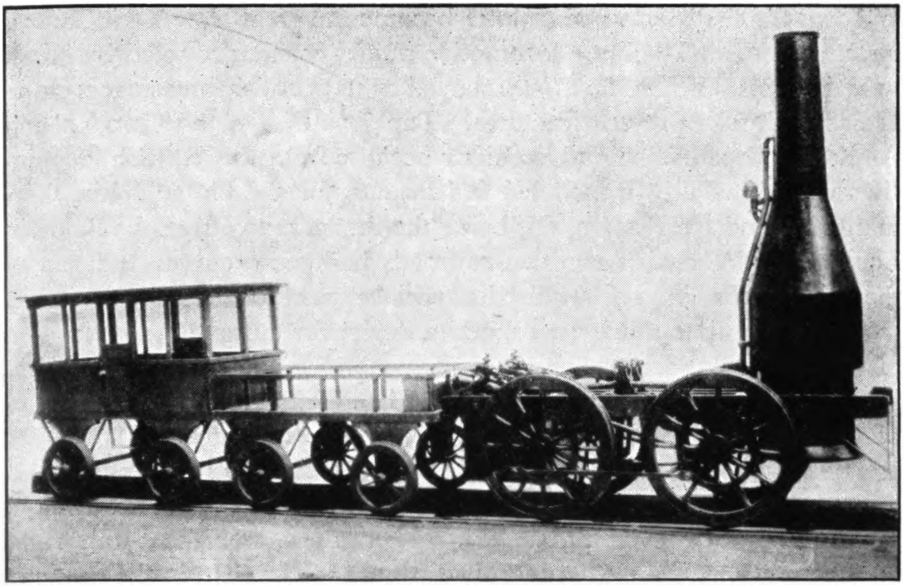
[1] Everett Dick has described, in *Sod-House Frontier*, frauds connected with promotion of wilderness paper cities of Kansas and Nebraska in the eighteen-fifties. It was said that steamboat captains on the Missouri would have done better to carry stakes for laying out town sites instead of passengers. A member of the Territorial Council of Nebraska, seeing how many came into the Missouri Valley to found mighty metropolises, introduced a bill which "reserved every tenth section for farming purposes." Town companies vied with each other in giving away lots for churches, fraternal-order halls, the first couple married in the town, and so forth. Competition between towns sometimes led one to buy out a rival. The handsome lithographs of Curlew, Nebraska, sold ten thousand lots to New Yorkers and to others in the East for $150,000, but not one house was ever put up there. Imaginative promoters elsewhere turned a small blacksmithy into a "machine shop," and the open prairie became the pictured university or courthouse. Yet towns which were really occupied saw brisk demand for real estate, so that "business lots upon streets where wild grass still flourished . . . advanced in price from $500 to $3000 in a few months."

The Great Lakes, without connecting links between them, and their shores hardly settled, did not get steamboats as early as did the rivers. The *Walk-in-the-Water*, the first, was launched at Buffalo in 1818; there were more than twoscore in service by 1836. The "golden age" of the western river steamboats was between 1830 and 1860. After the latter year the Erie and midwestern canals diverted traffic to the East, and when the railroads reached the interior river systems, the decline of water transport was certain. The boats on the Ohio suffered before those on the Mississippi, particularly because the latter penetrated rivers flowing in from the west where the railroads had not reached. But by this time the steamboats had built up the river towns which, with their trade and manufactures, fell a prize to the rails.

Railroad Beginnings

We have said something of the history of the Baltimore and Ohio Railroad and of railroads forming a part of the Pennsylvania Public Works. Steam railroads had their origin in short tramlines. The first of these in America (1826) ran three miles from the Quincy, Massachusetts, granite quarries to the Neponset River, using horses most of the way, but a cable to a stationary steam engine for the hardest pulls. The next year a sixteen-mile tramline was constructed to carry coal to the Delaware and Hudson Canal at Honesdale. Several Americans — Oliver Evans, Benjamin Dearborn, John Stevens — had tried to make steam carriages and wagons to run on ordinary roads. But the first railroads built in this country were intended to use horses, either on a treadmill car or on the ground. The advent of the steam locomotive here waited on the success of the Stephensons in England. An engine of George Stephenson as early as 1813 pulled a colliery train. This proof persuaded promoters of the Stockton and Darlington Railway to try a Stephenson locomotive instead of horses. The *Rocket*, in 1829, was victorious in competitive trials because it had a tubular boiler and forced draft which gave abundant steam.

The *Stourbridge Lion*, so called because built by a firm at Stourbridge, England, with a figure of a lion on the front of its boiler, in that same year was the first locomotive to run on a track in America, on the Honesdale and Carbondale tram, but the *Lion's* eight tons were too heavy for the bridges. So Peter Cooper's *Tom Thumb*, less than half as heavy, was tried out on the Baltimore and Ohio in 1830. Its tiny upright boiler, with gun barrels for tubes, was set on a diminutive flatcar. In 1831,



Brown Brothers

"BEST FRIEND OF CHARLESTON" AND CARS

the *York*, built by Phineas Davis, won a prize offered by the Baltimore and Ohio. A sort of grown-up *Tom Thumb*, it was successful and was followed by others of the same maker. The Charleston and Hamburg Railroad, chartered in 1829, two years after the Baltimore and Ohio, was built for steam locomotives. In 1830 it received from a New York City foundry the *Best Friend of Charleston.* This may be called the first feasible locomotive to pull a train in America; it ran at thirty miles an hour — not for a whole hour, because the track was not that long — without cars, twenty-one miles an hour with a load.

The story has often been told of how the fireman of the *Best Friend,* annoyed by the escaping steam as the engine waited at the station, sat on the safety-valve lever. This quieted the *Friend* but briefly, while the boiler prepared for the blast which blew the fireman twenty-five feet into the air. Fortunately, both man and machine could be repaired. But the memory of this first railway accident made passengers cautious, so when the *West Point* locomotive was put on the Charleston and Hamburg a little later, the company coupled a flatcar with cotton bales and another with a brass band between engine and coaches. Travelers on the Mohawk and Hudson, though not exploded, got classic jolts. This line covered the seventeen miles from Albany to Schenectady (1831),

and was the first part of what later became the great New York Central system. Its *DeWitt Clinton* locomotive pulled coaches coupled by large-linked chains. When the *Clinton* started or stopped, the passengers clung to each other to prevent fractures. The *John Bull* of the Camden and Amboy Railroad was notable chiefly because from this English locomotive Matthias Baldwin modeled *Old Ironsides* for the Philadelphia, Germantown, and Norristown, this being the first of many from the Baldwin Locomotive Works. American railroads had more curves and grades than the English, and so required a special type of locomotive; the swivel truck, to negotiate sharp bends, and a device for automatic distribution of weight on the drivers, together with more driving wheels, were improvements made in the thirties. The headlight evolved through successive types — pine knots, candles, oil lamp, gas, to electricity.

The first rails were strap-iron laid on wooden or stone stringers, and had an awkward way of coming loose, curling up in "snake heads" and impaling cars or even passengers. Then there were cast-iron rails, brittle and short, succeeded by rolled-iron rails, the first, in the shape of an inverted U, being produced at Mount Savage, Maryland, in 1844. But the T rail was introduced before this date and was common by 1850. Bessemer steel rails were turned to in the sixties, and open-hearth steel before the end of the century.

Growth of the Railroad Network

The first railroads were in most instances short. The Charleston and Hamburg, 136 miles on completion, was a marvel, the longest line in the world. Others were scraps, representing local pride, jealousy, and funds. Longer lines in the East, and more in the West, got state and local government subscriptions, guarantees of bonds, or the privilege of a railroad bank which assisted the financing with more enthusiasm than discretion. The short lines had to be joined — the first phase of railway consolidation — to afford through transportation. Thus, seven roads were necessary to give connections from Albany to Buffalo in 1845. But each was individually operated, with its own type of equipment, and even its own tickets. By 1853, these seven and three others were formed into the New York Central. Soon after the Civil War, Cornelius Vanderbilt, using his control of the Hudson River Railroad down the east bank from Albany to the outskirts of New York and a local New York City line, forced the longer combination from the ocean to Lake Erie. But this was not until the Erie Railroad had connected the coast with

the Middle West. Projected in 1832, it crept westward, after some false starts, from Piermont on the Hudson, twenty-four miles above New York, to Goshen, to Binghamton, to Elmira, reaching the lake at Dunkirk. By means of shorter lines consolidated with it in East and West the Erie stretched, soon after the Civil War, from Jersey City to St. Louis.

Boston, abandoning the first idea of a canal to the Hudson, determined to build a railroad to divert Erie Canal traffic to the New England metropolis. The Boston and Worcester reached the latter point in three years, 1835. Then the Western Railroad offered a line to the New York border, connecting there with the Albany and West Stockbridge. The whole was combined in the Boston and Albany in 1870. Roads of the Middle West were at first as short, and went through a similar history of consolidation, the chief system of several that emerged being the Illinois Central.

Between 1830 and 1860 the growing commerce of the North Central region was increasingly diverted from the Ohio and Mississippi Rivers to the canal and later the railroad routes reaching the seaboard. After the Erie Canal was opened, the district south of the Great Lakes filled with farms and villages. While the South Atlantic and North Atlantic states dragged behind in population increase, the southwestern district grew by 35 per cent or more each decade, and the North Central group (Ohio, Indiana, Illinois, Michigan, Missouri) more than doubled in population in the decade 1830 to 1840, and, with the addition of other states, numbered over 9,000,000 by 1860. The first shipment of wheat from the town of Chicago was 39 sacks in 1838; shipments two years later were 100,000 bushels, and twenty years later 20,000,000. Chicago became the chief primary market for western grain, livestock, wool, whiskey, and lumber. Buffalo, where the Erie Canal reached Lake Erie, had 80,000 people in 1860 and was the main point of transshipment to and from the West. All the cities with access to the lakes grew fast — Cleveland, Detroit, Dayton, Fort Wayne, Dubuque, and others. American-owned vessels on the Great Lakes had a total of only 7000 tons in 1830, but increased in a decade to 50,000 tons, and by 1860 to more than 300,000, not including the large tonnage of river and canal vessels which fed and was distributed from the lake traffic.

The system of canals south of the lakes now collected grain and other western produce which took the direct route to New York instead of the roundabout way through New Orleans. By 1838, Buffalo surpassed New Orleans in grain and flour receipts, and four years later foodstuffs

shipped from Cleveland equaled in value those sent from New Orleans. Every sort of manufactured goods and such other commodities as tea, coffee, tobacco, salt, and fish moved westward through the Erie Canal to the maximum value of $94,000,000 when the competition of the railroads caused a decline. The Western Railroad connecting Boston and Albany gave the New England city direct access to the West for the first time, eliminating the old dependence on Philadelphia and New York. Between 1850 and 1860, trunk-line railroads connected the expanding eastern and western networks. The superiority of railways to canals was now conceded. Charleston and Savannah were joined to Chattanooga by the first railroad across the mountains in 1849; the next year the New York Central reached the Great Lakes, to be followed in 1851 by the Erie. The Pennsylvania Railroad reached Pittsburgh in 1852, the Baltimore and Ohio was finished to Wheeling, and Chicago got direct rail connection with New York in 1853. St. Louis was linked with the East five years later, and soon there were a thousand miles of track west of the Mississippi River. The North Central states had more railroad mileage than the North Atlantic region.

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Chapter 17

Rise and Fall of the Second Bank of the United States

THE HISTORY of the Second Bank of the United States (1816–36) gives a dramatic view of American economic and political development. It symbolizes the clash between merchant capitalists of the East and agrarians of the South and Southwest, between the forces of nationalism and of states' rights. The episode of the Bank was a rehearsal for the Civil War. It cannot be said that the controversy over the Bank marked the first appearance of the demagogue in American public life, but his name now became legion and his methods were practiced and proved. To this time, on the whole, politics had been subordinated to what was understood to be the economic benefit of the country, but now politics took command.

The period was one of transition, of adolescent growth, and was characterized by the extravagance, violence, and mock heroics which go with such change. The War of 1812, as we have seen, ended our deferment to Europe, and threw us on our own resources. Our national domestic problems came forward — expansion of the frontier; construction of turnpikes, canals, and railroads; the debate over tariffs to protect rising American industries; the contest between a rejuvenated slave agriculture in the South and an awakened varied economy in the North. These twenty years embraced one business crisis and the preparation for a greater. It was a time of turmoil, when new claims to national patronage were being staked out and old claims to national sufferance were being defended.

The chief actors in the play of the Bank were Andrew Jackson, frontier President of the United States; Nicholas Biddle, Philadelphia financier; and Roger B. Taney, Maryland political lawyer. Jackson hailed from Nashville, Tennessee, and thus represented conflicting tendencies, the nationalism of the West and the localism of the South. He

had trounced the British at the battle of New Orleans and the Seminole Indians in Florida, and had thus ridden into the White House as a general and remained a fighter all his life. His was the fatal combination of energy, honesty, magnetism, and ignorance. He spoke for the great democractic forces in American life, but without discrimination. His egotism made him powerful, but arbitrary. He was surrounded with sharpshooters, but he scorned their precautions and stood out in the open and battered with cannon.

In a fresh examination of Jackson and the influences which shaped his policies, or which prompted and confirmed his prejudices, Arthur M. Schlesinger, Jr., has put forward a new thesis.[1] It is that "Jacksonian democracy, which has always appeared an obvious example of Western influence . . . is not perhaps so pat a case as some have thought; . . . its development was shaped much more by reasoned and systematic notions about society than has been generally recognized; . . . many of its controlling beliefs and motives came rather from the East and South than from the West." The planter *laissez faire* from the South and protests of eastern workingmen against concentration of economic power in banks and industries are thought to have borne on Jackson and his advisers. If this was true, it broadens and dignifies Jackson's platform. More exploration must yet be made to establish an undoubted practical political connection between southern philosophical treatises and workers' and reformers' outcries on the one hand, and the dogmas and doings of Jackson on the other.

Jackson's career spanned the period from Independence to the declaration of sectionalism, from the formation of the Constitution to its threatened destruction. The years of the Bank controversy were at once formative and degenerative. The old school of statesmen passed with John Quincy Adams. We may fairly say that Jackson and his friends and foes were on a lesser mold. Or was it that the problems with which they dealt were more complicated than those which faced Washington and Hamilton, Madison and Jefferson, and invited partisanship first and patriotism second? The best of them often fell short of a truly national outlook — Jackson, Webster, Calhoun, Clay.

Biddle, president of the Bank during most of its life, was a diplomat and man of letters, but primarily he represented the nationalizing tendencies of rising capitalism. He was a product and spokesman of Philadelphia, which was peculiarly the citadel of business. New York was a greater port, but Philadelphia was the center of finance and industry,

[1] *The Age of Jackson.*

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NICHOLAS BIDDLE

was important in commerce besides, and furnished the strategists of economic enterprise, the organizers, writers, and lobbyists. Biddle's alliance was with the National Republicans, sometimes calling themselves Whigs, who took the place, more or less, of the disappeared Federalists. He was opposed politically to the "Jackson men," who carried on, with better party discipline, the tradition of the Jeffersonians, and soon became known as Democrats. The contest over the Bank became embroiled in a system of patronage; spoils of office were the accepted reward of victory, and Biddle was not ashamed to play this game.

Taney, the Secretary of the Treasury who removed the government deposits from the Second Bank, and so ended its career as a national institution, went from national to sectional sympathies. His transfer of loyalty was quite as wholehearted as that of other southern leaders, such as Calhoun and Cheves, and he was just as apt in rationalizing his

change. He has been praised as a great lawyer and jurist. Others before him, such as Hamilton and Marshall, had interpreted the Constitution to sanction economic and political policies which they espoused. Taney was not different from them in this respect; his fault or misfortune was that he read the Constitution so as to contract national powers at crises when, as later events testified, they should have been expanded. He was negative, not positive, limiting rather than constructive. He remained a good attorney when he was called upon to be a good judge. In the confusion of forces which attended the specialization and expansion of American economic life, Taney failed to discern to which the future belonged, and made himself the apologist of the old, not the advocate of the new. He was a doctrinaire among the doers.

The Bank Began Under Difficulties

Political principles must be bent or abandoned if economic fact decrees. At certain junctures in our history, no matter what the party in power, it has been necessary to adopt certain policies. Thus, the Republicans, who had been the opponents of the First Bank of the United States, chartered the Second Bank, but not until five years of Treasury and currency difficulties had become demoralization. There was really no national currency. The Treasury certificates, which were sometimes at a discount below that of the state bank notes, would be received at par by only a few, such as army contractors, and promptly bounced back into the Treasury in payment of taxes. The central government could pay out the state bank notes which came to it in revenue only in the localities in which they were issued, for elsewhere they were badly depreciated, and the Treasury was not authorized to offer them under par. Specie grew scarcer, and finally the Treasury had none. All the banks of the country save those in New England suspended specie payments in September, 1814, and two months later the government also suspended in the most important areas. The Treasury was empty.

Over a period of two years the Republicans, in seven different attempts, tried unsuccessfully to charter a bank. The Federalists, whose party had sponsored the First Bank, were in bitter opposition. Finally, in April, 1816, the Second Bank was authorized, primarily in order to accomplish uniformity in the currency. Little objection was raised to it on constitutional grounds. The plan of the Bank, essentially like that of its pre-

decessor, was put through Congress under the leadership of John C. Calhoun, who was later to become the chief foe of federal power.

The charter, to run for twenty years, provided that the Bank should have a capital of $35,000,000, one fifth of which was to be subscribed by the central government, the remainder by individuals. Subscriptions were to be made in installments over a year, at least one fourth in specie and the remainder in government bonds. Five of the twenty-five directors were to be appointed by the President of the United States. Indebtedness of the Bank was never to exceed the capital. The Bank's notes for denominations under one hundred dollars were to be payable on demand and were to be received by the government for taxes. The Bank might not suspend specie payments — that is, refuse to redeem its paper in hard money — without incurring a heavy penalty. It was to hold deposits for the United States and transfer them without charge and without any allowance for difference in value of state bank notes in different parts of the country. This last is important as one of the reasons why the United States Bank insisted that the state banks redeem their paper money in specie, and it was this policy which was mainly responsible for the disfavor and then the death of the central institution. The Bank was to make reports to the Secretary of the Treasury, and that officer might remove the government deposits, giving Congress his reasons therefor. Branch banks, which were later to become a subject of fierce contention, might be established wherever the directors chose; the directors appointed the officers and boards of the branches. The Bank was to pay $1,500,000 for its franchise, which gave it a monopoly so far as the central government was concerned. This Second Bank, like the First, combined the investments of government and private citizens, but the control which the government could exercise was slight.

The Bank started off badly. Its first president, William Jones, was a Republican politician well-intentioned enough, but ignorant of the requirements of the critical task before Bank and country in resuming specie payments. The inconvertible paper currency in the wake of war had produced inflation and encouraged extravagant speculation, for which the state banks, answerable to nobody, were chiefly to blame. The small amount of specie in the country was at a premium ranging from one half to 75 per cent, depending on the section and the paper notes offered for it. Appeals of the Treasury to the state banks to resume specie payments, though accompanied by valuable inducements, were mocked at. But Congress had resolved that the government, after February 20, 1817, would accept only specie or paper redeemable in specie.

The Bank of the United States, which had been organized less than six months, was in a fix. It must accept at par government deposits, in the form of state bank notes, but the state banks would not redeem these notes in specie. The Bank devised a compromise with the recalcitrant banks of the larger cities, New York, Philadelphia, Baltimore, and Richmond, whereby they would resume specie payments February 20, and the Bank of the United States granted them dangerous concessions. These included making itself responsible for the government deposits held by the state banks and an engagement of the Bank to make large loans to individuals. This last would put quantities of its notes in circulation, they would find their way to the state banks, and give these weak institutions a means of paying what they owed. In effect, premature resumption was to be accomplished by willingness of the Bank of the United States to take a great risk. It was expected that all the state banks, under pressure of the largest, would have to redeem their notes in specie, but this turned out to be true in name rather than in fact.

Disaster Followed Dishonesty

For the first year and a half of operation the Bank appeared to be prosperous, declaring dividends at the rate of about 8 per cent, having more than fifty million dollars in loans, and some ten million dollars of its notes in circulation. But this condition concealed serious faults, for the Bank had acted in certain respects illegally and in others unwisely. Individuals, especially in Baltimore and Philadelphia, were permitted to subscribe for more than the charter limit of $300,000 of the Bank's stock and to cast more than thirty votes apiece. This was done by taking shares in the names of "dummies." For instance, George Williams of Baltimore, a director, took 1172 shares in as many names. About three fourths of the entire stock was held by less than one hundred persons. Thus, one of the earliest of American financial corporations showed that concentration of ownership which has recently become so general. The Bank allowed stockholders to borrow on their stock, at 25 per cent above par, in order to pay their second installments. This meant that the Bank did not get the capital, especially the specie, which the charter called for. Stock loans were made to insiders, speculators, far beyond the legal limit, and, to turn illegality into fraud, only a fraction of the stock necessary as collateral was deposited for the loans. Baltimore was the center of the wild bank speculation of the years 1817 and 1818. The president of the Baltimore branch, with business associates on the

board of directors, and with the connivance of officers of the central Bank at Philadelphia, formed a company to speculate in the stock. James W. McCulloch, the Baltimore cashier, whose name was to become famous in one of the most celebrated cases of the Supreme Court, was their tool. They were guilty of several kinds of plain and fancy theft. William Jones, president of the central Bank, dealt in the stock to his own profit. This early corruption rose to plague the Bank later and had a large part in causing its death.

So much for dishonesty. Mistaken management was equally injurious. The branches, of which a score were soon established, were not made to stand each on its own feet, but were permitted to make loans without let or hindrance. The Bank, in trying to furnish a uniform currency, undertook to redeem the notes of its branches wherever presented. The result was that the huge issues of southern and western branches, such as that at the village of Lexington, Kentucky, were carried by the course of trade to Philadelphia, New York, and Boston for redemption, and drained away the little specie from these centers. The state banks, which were supported by local interest and sentiment, were not called upon for their debts to the Bank of the United States, and so added many more of their notes to the paper flood.

In July, 1818, the central Bank, belatedly aroused to the danger, began with a severe contraction, amounting to some $10,000,000 of loans and note issues. The reductions were to take place mainly in the South and West, where land and stock speculation had been highest and management loosest. But here the demands of the Philadelphia directors were met with pleas for time, or with outright disobedience, or, when they were obeyed, with the imprecations of ruined debtors and the failure of state banks. Branches were forbidden to accept notes of other branches, which sharply increased the stringency. The three Cincinnati banks, called upon to pay though in installments, begged in vain and suspended in November, 1818. The banks of western Pennsylvania and of Kentucky followed soon. In this process the eastern offices, where there was far less reason for restriction, were despoiled of cash and could furnish only a trickle of credit. The panic of 1819 was blamed on the Bank of the United States, which was called the "monster" — a name it could never shake afterward. A congressional investigation, though it excused the Bank almost as much as it blamed, encouraged states and localities in their hostility. Southern and western states legislated against branches of the Bank, several imposing heavy taxes on them. Whole communities passed into the ownership of the branches, which

bred undeserved but persistent hatred. The panic and depression were the inevitable aftermath of war, peace with its paper money, western expansion, and speculation; but the Bank was held responsible. The Bank lost a tenth of its capital, incomparably the largest loss being at Baltimore, $1,696,000. William Jones resigned as president.

Recuperation of the Bank Under Cheves

Langdon Cheves, a South Carolina lawyer, became president of the Bank when it was at the depth of its discredit, early in 1819. He was clear-headed, firm, and honorable. The four years of his control were devoted successfully to the task of restoring the Bank to its original capital and opportunity. He rigorously eliminated abuses and stopped the drain of specie to the South and West. Amounts of capital were assigned to the branches, and each was compelled to redeem its own notes. The state banks were disciplined to a degree, and at the same time were assisted. Suspension was averted except at state banks in the South and West, and a bad currency was somewhat improved. These necessary reforms left the indebted South and West with meager credit and circulating notes, so that these sections developed a settled hatred and suspicion of the Bank. Thus, the Planters' Bank of Savannah covered its suspension with scolding "this mammoth" Bank of the United States, which "came here to destroy our very substance. Ships, plantations, Negroes, wharves, stores, all the sources of wealth of the state have been [devoured] by this all-consuming power."

Southern and western state legislatures embodied this enmity in several kinds of hindering and oppressive statutes aimed at the Bank through their supposed jurisdiction over its branches. The powers of the Bank — really of the federal government as opposed to the states — were vindicated in the celebrated cases of *McCulloch v. Maryland* (1819), and *Osborn et al. v. United States Bank* (1824). These decisions of the Supreme Court were important for our economic and constitutional history.

The Baltimore branch, through McCulloch, the cashier, refused to pay a Maryland tax on the circulating notes of the branch. When the case was decided by the Supreme Court, the opinion, written by Chief Justice Marshall, defined the spheres of state and federal power. The Court declared that the central Bank was constitutional, its branch was a federal agency, and that the state might not interfere in the federal jurisdiction by taxing the branch. The opinion was a victory for the

"implied-powers" interpretation of the Constitution. In the Osborn case, the State of Ohio imposed a tax of fifty thousand dollars on each of the branches of the United States Bank, at Cincinnati and Chillicothe. The Bank secured an injunction forbidding the state auditor, Osborn, to collect the tax. In contempt of this, his agents vaulted the counter of the Chillicothe branch and seized the amount of the tax from the safe. The Bank sued Osborn and others for trespass and return of the money. The Legislature threatened, then offered concessions which admitted its usurpations. In the Supreme Court the Bank, as a federal public corporation, was upheld against state interference.

Cheves resigned as president late in 1823 because he had accomplished his work of rebuilding the Bank, and was succeeded by Nicholas Biddle, more popular than Cheves because a son of Philadelphia, where the head office was located.[1] Biddle was a man of parts. Journalist, editor, lawyer, he had been one of the most valuable and informed directors of the central Bank. His policy was to give the country a safe, uniform currency. This he did by refusing to permit the Bank or its branches to pay out the notes of state banks coming into their hands; instead, these were presented frequently to their issuers for redemption in cash, until Biddle's rule of integrity was learned by the state banks. He insisted that all loans be on good commercial paper only, and for short periods, thus eliminating the personal loans, the favoritism, the tying-up of resources in real estate not quickly salable. Biddle strengthened the control of the central Bank over the branches by sending trained and trusted men of the Philadelphia Bank to be cashiers of the branches. He accumulated a reserve, which with his other reforms helped to alleviate a financial stringency in 1825. In five years the Bank had increased its investments by a fourth, doubled its circulation and deposits, increased its specie holdings by half. The Bank bought foreign exchange in the South, arising out of cotton shipments, and sold it in the North where importers needed to make payments abroad. The Bank's monopoly of this business resulted in benefit to the country, but private bankers and brokers were deprived and jealous, and later added their grievance to others against the Bank.

[1] Cheves moved to Reading, Pennsylvania, where it would have been a mercy to the country if he had remained. Distinguished for service to the nation, he was content to be a burgher occupying a large brick house. But his daughters, with social ambitions, persuaded him to buy a cotton plantation on the Savannah River. Restored to the southern environment, Cheves became a sectionalist, and, by his boldness of design, contributed much to secession. Pennsylvania pretzels were a healthier food for him than southern corn pones.

Aid to Inflation and Speculation

One of the causes of wide antagonism to the Bank, when its recharter was in question, was its practice, dating from 1827, of permitting the branches to issue drafts on the parent Bank. These drafts were simply checks, signed by the branch president and cashier, and made payable to bearer. Blank drafts, printed to look as much as possible like notes, were supplied by the central Bank to the branches, and most people using them did not know that they were not notes. They were devised by Biddle and his directors in order to increase the circulation of the Bank, especially in small denominations, beyond what was possible so long as the president and cashier at Philadelphia had personally to sign all notes. This was a labor and charter limitation from which the Bank repeatedly and unsuccessfully sought relief from Congress. The power of banks was much feared in that period, and any substitute for the most responsible signing of notes seemed to open the way to fraud and inflation. The branch drafts, in volume, were only a fourth as much as the notes, but this was sufficient to cut down the note circulation of the state banks and to compel these to lend at lower rates than they could have exacted had the circulation of the Bank of the United States been limited to the regular signed paper money.

The branch drafts were legal enough, but may have been bad policy. They were a talking point for noisy opponents, they added to the five-dollar circulating medium at a time when even state banks were trying to cut down on issue of small notes, and they were used to support the charge that the Bank was usurping power in disregard of the rights of local state banks.

The Bank, by greatly expanding its loans in the Southwest and West, participated in the development of those sections which followed the construction of internal improvements, especially canals and railroads, and the appearance of steamboats on the Mississippi and its tributaries. Cotton was the chief beneficiary, and so there was brisk speculation in new land to grow it. From 1828 to 1832 the Bank's loans in the West and Southwest grew from one third to a half of its total. This was excessive, and the practice of lending on crops which, far from being gathered or on their way to market, were not even planted, partook of the enthusiasm of the region. The branch managers were infected with the local recklessness, and were hard to check. The point for us is that these accommodations, overlenient as they were, earned for the Bank not the gratitude of the new sections, but their suspicion and hostility.

Necessary attempts at curtailment alarmed debtors, it was complained that interest was usurious, and the rapidly increasing state banks resented the absorption of business which they coveted.

We come now to the dramatic dénouement of the Second Bank of the United States in the unsuccessful contest with President Andrew Jackson over its recharter. Jackson's personal opposition dated from circumstances of his election to the presidency in 1828. He was led to believe that the branches of the Bank at Portsmouth, New Hampshire, Lexington, Kentucky, and some other points had worked insidiously for his defeat. These charges were raised and fostered by members of his "kitchen cabinet," a group of dexterous small-town newspaper editors who were the power behind the Jackson throne. But their deft management must not obscure Jackson's own responsibility. He came to Washington distrusting all banks and believing that the Bank of the United States, particularly, was unconstitutional and preyed upon the poor.

Democracy Against the "Monster"

Besides Jackson's personal enmity to the Bank, he was the champion of the rising democracy, which feared power in the few, especially money power. This has the typical denial of the equality which is democracy's fundamental dogma. Jackson was a frontiersman, a soldier hero who had beaten back redskins and redcoats; his prejudices were taken for patriotism, his violence for valor. He was a perfect champion for the democratic mass. A large section of Americans, particularly those expanding inland, felt that they no longer needed the positive intervention of the federal government in behalf of national prosperity. They would not accept institutions, such as the Bank and protective tariffs, which had been holdovers from the Federalist régime, now flickered out. Our economic and political development has been in waves, with central authority advancing only to recede into a backwash of state and local questioning and revision. The episode of the destruction of the Second Bank, which we are now to recount, is one of the most illuminating instances.

Jackson was dissuaded from attacking the Bank in his inaugural address, but his annual messages to Congress were sprinkled with statements and questions about the Bank which showed his growing disapproval. In his first message (1829) Jackson remarked that "Both the constitutionality and the expediency of the law creating this bank are well questioned by a large portion of our fellow-citizens, and it must be

admitted by all that it has failed in the great end of establishing a uniform and sound currency." Jackson proposed, in vague terms, a national bank of more limited powers, which should resign lending and note issue to the state banks. Committees in both houses of Congress, reviewing the President's message, upheld the Bank as organized. It had, in fact, given the country a sounder and more uniform currency than had ever been enjoyed before.

Jackson resented the congressional dissent from his criticism of the Bank, as well as the thousands of reprints of the reports which Biddle, president of the Bank, had struck off and circulated throughout the country. The Bank, wrote Jackson, was "the present hydra of corruption, so dangerous to our liberties by its corrupting influences everywhere, and not the least in the Congress of the Union." The Bank, even after getting over its first maladministration, had been guilty of unwise and unfair conduct on a number of points, all of which were later drawn out at length by Roger B. Taney and others of its opponents. But it was not the "monster" which the loudest of its enemies assailed before the public. These, including President Jackson, preferred to charge it as an odious monopoly, owned in part by foreign stockholders, a leech on the productive people of America, a perverter of democratic processes. As a matter of fact, the state banks which were favored by objectors to the Bank of the United States and which were finally the beneficiaries of its death, were much more given to bad banking practices and were readier tools of political management than the central institution ever was.

Jackson's second message, in 1830, again questioned the propriety of the Bank "as at present organized." For a time thereafter Biddle worked for a compromise with the irascible Jackson, who finally agreed to recharter the Bank if its plan were modified and if the question of recharter were not pressed until after the election — in which his opponent for re-election turned out to be Henry Clay. Biddle determined upon this prudent course, which he was to abandon with fatal results. Recharter should not be broached in Congress at once. A more conciliatory tone toward the Bank appeared in Jackson's third message in 1831.

Biddle was dissuaded from his resolution by distrust of Jackson, by overconfidence in himself and in the political strength of the Bank, and by the political proddings of National Republicans. Chief among the latter were Webster and Clay. The National Republicans made recharter of the Bank, in opposition to Jackson's policy, a campaign issue. Bills for recharter were presented in both the House and Senate early in

1832, and Biddle supported them by persistent lobbying. After much debate for six months, a bill for recharter was passed by the Senate, 28 to 20, and by the House, 107 to 85. The opposition came mostly from the South and Southwest, where the desire for unchecked economic expansion was strongest and where there was least capital. Consequently, this was the quarter in which state banks with looser practices than those of the United States Bank were favored.

The Biter Bit

Biddle and his friends persuaded themselves that the Bank was now master of the situation. They calculated that if Jackson vetoed the bill he would lose, in the coming election, necessary support in Pennsylvania, and that if he signed he would be injured in the South; in any case he would be eliminated as a foe of the Bank. All of Jackson's Cabinet save Roger B. Taney, the Attorney-General, were for temporizing, urging Jackson to base the veto on the ground that recharter now was premature, since the old charter had yet four years to run. Taney successfully advised Jackson to meet the issue squarely, plied him with arguments against the Bank, and was one of the chief authors of the veto message which was submitted July 10, 1832. Its constitutional argument ignored the opinion of Hamilton and the decisions of the Supreme Court, favorable to a national government bank. The economic argument had little logic but much effect, blended with a shrewd appeal to sectional and class prejudice — the Bank was almost a fourth owned by foreigners, who drained off earnings of the American people; its business in the West burdened the industry and sapped the currency of that region; it was a monopoly dangerous to the liberties of the country, and made the rich richer and the poor poorer.

Such charges helped to re-elect Jackson after a campaign in which the Bank was the main issue before the people. The President received 219 electoral votes against 49 for Clay. His popular vote was twice that of Clay. Jackson took this signal victory as a command from the people for him to destroy the Bank. He declared that "until I can strangle this hydra of corruption, the Bank, I will not shrink from my duty. . . ." The Bank, fearing that the war on it would now take the form of removal of the government deposits, protected itself by reducing its loans of various sorts by almost a third in 1833–34. This produced a credit stringency which reached its height in May, 1834, and added, of course, to the official and popular hatred of the Bank. The principal

Jackson newspaper spoke of "A blasting mildew . . . suddenly brought upon the business concerns of the country, and a prostration of trade and credit, to an extent . . . hitherto unknown. . . ."

Jackson resolved to punish the Bank by calling for the revocation of its charter or at least by removing the government deposits from it. Taney, the Attorney-General, who now became his chief abetter in his anti-Bank policy, advised the latter course. The Secretary of the Treasury, by the terms of the Bank's charter, was given power to remove the government deposits at his discretion. But Secretary Louis McLane would not take this step. He reported the deposits safe; he would not act without authorization from the House; and the House Ways and Means Committee likewise approved continuing the Bank of the United States as the government depository. Jackson removed McLane from head of the Treasury to be Secretary of State, appointing in his place William J. Duane, who, he believed, would be obedient. The very day Duane took over the Treasury he began to be visited by members of the "kitchen cabinet" who told him that the President expected him to remove the deposits. But this Duane steadily refused to do. Duane declared he would resign his post rather than comply with Jackson's wishes.

Jackson turned naturally to Taney, who had supplied full reasons for removing the deposits and prodded Duane to issue the order. "Should Mr. Duane refuse to yield to the wishes of the Executive, and retire," wrote Jackson, "I pledge myself that no one superintends that Department hereafter but one whose whole opinions I *know* correspond with my own. I will give the agency to Mr. Taney who is right, and with me *in all points*." When Duane still stood firm and withdrew his offer to resign, Jackson dismissed him peremptorily, Taney writing the curt letter. Taney was at once put in the place, and immediately announced that after October 1, 1833, government deposit with the Bank of the United States would cease, certain state-chartered banks in eastern seaboard cities having been chosen to receive the revenue. He saw that the step, so long planned, was likely to develop embarrassments. Thus, if the deposits were removed suddenly, the Bank of the United States might call upon the "pet" banks, the new depositories, for large sums for which they were indebted to it. So Taney would draw down the government's balance in the great Bank gradually, meantime arming the favored state banks with large drafts on government funds in the Bank of the United States which they were to cash only if they found themselves attacked. Taney labored, as he was bound to do, to justify

the scheme by co-ordinating the work of the Treasury with the services of an expanding number of its affectionate but not very efficient "pets."

Furor, economic and political, ensued. The Jackson party blamed the Bank for producing financial panic by its contraction. The Senate formally censured Jackson and Taney for transfer of the deposits, and refused to confirm Taney's appointment as Secretary of the Treasury. The congressional elections of 1834 filled the country with extravagant charges and countercharges over the Bank. The Whigs were beaten in the elections. This put an end to the last hopes of the Bank for recharter, and it set about winding up its affairs. The period was one of prosperity: state banks, in five years, had increased fifty per cent in number, and had more than doubled their loans and issues of paper money. They avidly bought the branches of the Bank of the United States, so that its exit caused no shock to business and investment. The institution itself became a state bank, was chartered as the Bank of the United States of Pennsylvania, and continued business, but without the national government as partner. It would have been better for the stockholders to take their handsome profit and dissolve the Bank with the expiration of its national charter. As a Pennsylvania bank it failed three times in the next five years, the last time beyond redemption. Nicholas Biddle, who had continued as president, was discredited, and soon died in mental and financial distress.

While the Bank of the United States had been guilty of its own errors, it had acted as a policeman over the state banks. With the national institution abolished, the excesses of state-chartered banks again became conspicuous. In New England the banks were generally safe. Large numbers of others, however, were tempted into careless or reckless practices in aid of canals and railroads and of speculators in western lands. It was unfortunate that discipline was removed just in a time of overconfident expansion leading up to the panic of 1837. We shall glance first at some of the misdeeds of the state banks, and then see what measures were taken, by a succession of states, to correct the mischief. These safety plans of states were forerunners of the National Banking System established during the Civil War.

"Wildcat" Banks

The number of state banks issuing paper money varied, of course, with the number of chartering states and territories and the demand for note circulation. In boom times the number rose, in panics and depres-

sions fell off. In the late fifties and early sixties the number of banks fluctuated between fourteen hundred and sixteen hundred. If each, on the average, issued notes of six denominations, here were nearly ten thousand different sorts of bills in circulation, to say nothing of the part of the output of more than eight hundred and fifty "retired" banks which continued to float about at the time the National Banking System was adopted.

Counterfeited and altered notes, notes of fraudulent or broken banks circulating with the par notes of specie-paying institutions, made it necessary for merchants to subscribe for circulars known as "bank-note detectors," coming out twice a week. The New England Association for the Suppression of Counterfeiting successfully prosecuted 228 persons from 1858 to 1861, receiving for its work an annual public appropriation.

The weakness, ignorant management, or dishonesty of large numbers of the state banks earned for their notes such opprobrious names as "shinplasters," "wild cats," "red dogs," "stump tails." The banks issuing these were called "rag mills," "coon boxes," "fly-by-nights." Most notes passed at a discount varying directly with the distance from the issuing bank. When banks had forty or fifty times as many notes out as they had cash on hand to redeem them, as was true of Illinois banks in 1860, they wanted to keep them *out*. Thus, the governor of Indiana complained in 1853:

> The speculator comes to Indianapolis with a bundle of bank-notes in one hand and the stock in the other; in twenty-four hours he is on his way to some distant point of the Union to circulate what he denominates a legal currency, authorized by the legislature of Indiana. He has nominally located his bank in some remote part of the State, difficult of access, where he knows no banking facilities are required, and intends that his notes shall go into the hands of persons who will have no means of demanding redemption.

Michigan's banking law, adopted in 1837, ostensibly gave the noteholder protection, but to the many loopholes in the statute was added the nimbleness of the banks in transferring their slender stock of specie from one place to another when the examining commissioners were on their rounds. The same jingle of cash did duty for a large volume of outstanding notes, issued in response to the hungry cries of land speculators. Thus the commissioners told of their treasure hunt in 1839:

> The singular spectacle was presented of officers of the State seeking for banks in situations the most remote from trade. . . . Gold and silver flew

> about the country with the celerity of magic, its sounds were heard in the depths of the forest, yet like the wind one knew not whence it came, nor whither it was going. . . . The vigilance of a regiment [of commissioners] would scarcely have been adequate against a host of bank emissaries, who scoured the country to anticipate their coming and the indefatigable spies who hung upon their path. . . .

The reason why cash was made to scurry ahead of commissioners is plain from the case of one Michigan bank caught unawares the year before.

> Beneath the counter nine boxes were pointed out by the teller as containing $1000 each. The teller selected one of these boxes and opened it; this was examined and appeared to be full of American half-dollars. One of the Commissioners then selected a box which he opened and found the same to consist of a superficies only of silver, while the remaining portions consisted only of lead and tenpenny nails. The Commissioners then proceeded to open the remaining silver boxes; they presented the same contents precisely, with the single exception in which the substratum was window glass broken into small pieces.[1]

Wild as they were, and not living up to even the lax territorial statutes, the currency so freely set afloat by these banks was eagerly accepted until the panic of 1857 put an end to their game. This was mainly because of the fever of land speculation, but was partly due to the real need for money in a brand-new and rapidly developing part of the country. Of course, the last to hold the bank-notes lost whatever he had given for them. When the sheriff took possession of the Bank of Nebraska at Omaha, he found assets of "Thirteen sacks of flour, one large iron safe, one counter, one desk, one stove drum and pipe, three armchairs, and one map of Douglas County." Swindlers saying they acted for a bank in Indiana issued thousands of dollars of worthless notes in the West, furnishing at the same time a specially printed currency detector showing their money at a high valuation. When these mountebanks shut up shop in one place, their assets were found to have been whitewash, two pieces of boards, one old plank, and one iron safe, the whole worth $77.68, but the cashier had sold the safe to get him and his partner out of town.

[1] Quoted in Leonard C. Helderman, *National and State Banks*, pp. 27, 28. Professor Dick relates (*The Sod-House Frontier*, p. 88) that a member of the Nebraska territorial legislature, considering himself unique, ended a speech with self-gratulation: ". . . when he should be gathered to his fathers, and an humble monument had been erected to his memory . . . it would gratify his soul to look down from the high battlements of heaven . . . and read upon that monument the simple and truthful inscription: 'Here lies an honest man — He voted against "Wild-Cat" banks in Nebraska!' "

Legal Efforts to Insure Honest Banking

Various states made efforts to reform these abuses before the national government took a hand, for the situation was intolerable. The first was the "Suffolk System" of Boston. Notes from all corners of New England found their way to Boston, where many were at a discount. The banks collecting these at first sent a messenger with them to the issuing banks where they were presented for redemption, and kegs of specie were taken back to Boston. The Suffolk Bank in State Street proposed saving this expense; it would redeem at its counters, at face value, if the issuing country banks would keep sufficient permanent deposits with it. The banks would not consent. Soon the Boston banks found a way to coerce them. A common fund of $300,000 was devoted to buying up depreciated notes which, in large amounts, were then presented for redemption to the country banks which had issued them. This method threatened to break the offending institutions. With ill grace they gave in (1825) to the plan whereby the Suffolk Bank, as agent for the others of Boston, would receive notes of country banks as cash, and the country banks were invited to keep deposits with the Suffolk for this purpose or be confronted with awkward demands. Country bank notes were cleared daily.

After initial grumbling of the disciplined banks at having to lay down "bags of *Tribute Money at the Feet of the President of the Suffolk Bank*," the system was admitted to benefit everybody. The country banks reduced their circulation, relative to capital, by half or better. Being redeemed promptly at the commercial center of the region, their notes were generally received at par. Banks in the system needed to keep only a fourth or fifth as much cash reserve as those refusing to enter. It was inevitable that the country banks, resenting the monitorship of the Suffolk, would try to set up their own redemption agency. The panic of 1857 spurred this movement, and the Bank of Mutual Redemption was established in Boston the next year. Controversy with the Suffolk resulted in the latter retiring from this function, but the advantages of the system were continued.

Next in point of time after the Suffolk scheme came the Safety-Fund System of New York State, adopted in 1829 and applied to all banks chartered after that date. Three commissioners were appointed — one by the governor, one by the city banks, one by the country banks — to inspect banks quarterly or at other times on request of other member banks. These commissioners were to hold the safety fund, to which

every member bank must contribute three per cent of its capital, which was to be used for indemnifying note-holders and depositors of insolvent banks. The city banks complained, with reason, that they were being mulcted for the benefit of the reckless rural banks. The system worked, however, until the panic of 1837, when its defects became apparent. The redemption process, as applied, was painfully slow and costly to note-holders. The claims of depositors ate into the fund supposed by note-holders to be mainly for their benefit, so that the fund was used up and had to borrow.

The panic of 1837 brought into sharp conflict two attitudes toward banking which had been diverging in the years before. One was the democratic, which distrusted bank-issued paper money, and in its extreme form condemned all banks out of hand, and in any event was opposed to monopoly of the banking function and profits. As the Erie Canal extended population westward, the newer regions of the state called for many more banks than the legislature, controlled by the older section, was willing to grant. The frontier wanted freedom in banking, not to say license. On the other hand were those in the tradition of the First and Second Bank of the United States who wanted more centralized control over banking.

New York System a Model for the Nation

The Free Banking System of New York, inaugurated by a law of 1838, was a compromise between these opposing views. It permitted any person or group of persons in any community to enter the banking field so long as they complied with the safety requirements of this general state act. This law became the model for other states and, more important, for the National Bank Act of 1863. Under it, bonds of the United States, New York, or other approved states, deposited with the comptroller of the currency at Albany, became the basis of notes issued by the banks. Real-estate mortgages, at half the value of improved land in New York, and bearing 6 per cent interest, could be deposited for not more than 50 per cent of the notes issued by a bank. A bank failing to redeem on demand must pay the note-holder 14 per cent annual interest; if the note-holder formally protested to the comptroller, the latter, after due notice, would sell at auction the securities which had been deposited with him by the suspended bank. Also, each bank was made to keep in its vaults a specie reserve equal to 12½ per cent of its notes in circulation.

As experience demonstrated weaknesses, the law was improved by requiring the deposit of better securities. This restricted the basis of note issue without reference to the needs of business, a defect inherent in the plan and one transmitted to the National Banking System later. The note-holder was given first claim on the assets of a failed bank; the law of New York and of other states was more solicitous for him than for the depositor because he did not choose the bank, and, anyhow, note issue bulked larger then in the business of banks than did deposits. Furthermore, stockholders were made individually liable for bank debts. Under this arrangement in New York, over a period of twenty-five years, note-holders lost little on the average, and that little was because of depreciation of securities. To the benefits of this excellent system was added, fifteen years later, a clearing-house of New York City banks, which conserved specie and, through co-operation of the banks, steadied finance at times of stringency. Soon other leading cities had their clearing-houses also.

Taught by lessons of the panic of 1837 and by New York's example, other states in every section of the country soon passed free banking laws providing for a bond-secured note issue. These laws were a triumph over the anti-bank sentiment which was strong in the Mississippi Valley, distressed with debt. The hostility to banks was a combination of disillusionment and ignorance, but an attitude which has come to the surface again and again in our history in times of business collapse. The less informed of these objectors, in the tradition of Andrew Jackson, opposed all banks, whether those receiving deposits and making loans only, or those issuing notes besides. Said one, "a bank of earth is the best bank and a plough share the best share." These wanted only hard money in circulation, issued, of course, by the federal government. They had a supporting argument in the Independent Treasury System then in operation, which aimed to collect public funds in specie into vaults, where the money was kept until paid out again. Others objected to giving to banks the privilege of manufacturing currency, holding that the profit and grave responsibility of this function belonged of right to the sovereign government alone. Banks were "swindling machines," and gentlemen who talked about well-regulated banks "might as well talk about white blackbirds."

The system of Louisiana ranks next to that of New York in influence upon the later National Bank Act. The state had had disastrous experience because of involvement of banks in cotton and sugar planting and internal improvements, with consequent liquidation. In 1837, Edmond

J. Forstall, a New Orleans banker, agent of Baring Brothers of London, and a member of the legislature, began a movement for reform. He pointed out in a report that if the banks were to pay their liabilities on demand, both deposits and notes, they must have ample cash through a one third specie reserve and by keeping to "short paper, payable on a fixed day, and moving in a rapid circle." After much discussion, these principles were embodied in a law of 1843 and in the free banking system of Louisiana adopted in 1853. Notes were protected by bonds, and deposits by a 33⅓ per cent specie reserve; there should be no investment in real estate, and two thirds of loans were confined to ninety-day paper. The new features here, especially that of the reserve to protect depositors, recommended as they were by the success of New Orleans banks in weathering the panic of 1857, found their way a decade later into the National Bank Act. The Louisiana reserve idea was incorporated into the Massachusetts law of 1858 by Samuel Hooper and Amasa Walker, who were active agents in the passage of the National Bank Act five years later.

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Chapter 18

Depression, Tariff, and Shipping

THE PANIC OF 1837 was one of the severest in our economic history. It came in two stages, that of 1839 like a time bomb, already planted but a little delayed in its explosion. The resulting depression continued, with a false revival between the two crises, until about 1844. This panic was brought on more largely by governmental action than was true of any in the country's experience, unless possibly that of 1893.

President Jackson, in 1832, exulted to Congress in the "rare example of a great nation abounding in all the means of happiness and security." The tide was soon to begin to turn. The causes lay primarily in overbuilding of canals and railroads, speculation in land, and the destruction of the United States Bank, which would have exercised a restraining influence on credit and currency. An orgy of state banking augmented every reckless operation of the time. This was brought to a disastrous conclusion by calls upon these banks for the federal surplus, and by the *Specie Circular* which cast fatal doubts upon their notes. Crop failure, events in England, overdependence of the South upon cotton, were subordinate reasons.

There was a premonitory lapse in 1833–34, laid by many, as we have noticed, to contraction of its loans by the United States Bank in the face of government enmity. This contraction was, however, upheld by the Bank as a prudent safeguard against undue business expansions, but recovery was prompt, and the country plunged forward in its speculations. The number of new banks chartered between 1830 and 1837 was 347. While the nation's population increased one and a half times, its banking capital grew twenty-five times. The banks in the East were supporting, in 1837, \$98,000,000 of loans and \$22,000,000 of their circulating notes with \$2,000,000 of specie. Not much importance can be attached to their claimed capital, for a considerable part of it was in the form of promissory notes of stockholders. The management of the banks, which were brought into being principally to finance internal improvements and land speculation, was lax beyond words. Officers borrowed

heavily from their own institutions, stockholders borrowed on their subscriptions before they were paid, disturbed inquirers were refused sight of the books. States had their own banks, adjuncts to their treasuries. Railroads had theirs. In chartering an internal improvement company, states, especially in the South, would throw in a bank charter as a sort of bonus.

We have told something of the story of the internal improvements which the states rushed into. It is enough here to recall the words of the governor of a notorious offender, given in doleful retrospect: "Within the same period, other roads and canals were projected, until . . . we beheld the little state of Maryland having 10,000 square miles of territory and 318,194 white inhabitants, staggering along with undertakings that would tax the financial resources of the whole kingdom of Great Britain." And Tennessee, spurning the miserly precaution of scrutinizing each proposal, in 1836 commissioned the governor "to subscribe, on the part of the state, for one third of the stock in any joint-stock company that has been, or that may hereafter be, incorporated for the construction of railroads or macadamized turnpike roads within the limits of the state," and within a year a quarter of a million was so subscribed. In the West of that time — Indiana, Illinois, Missouri, Michigan — projects of transportation had to overcome greater distances than in the East, and these states went into internal improvements wholesale, setting up the "wildcat" banks in the process.

People of all callings and in all parts of the country speculated in land, but chiefly in the public land of the West and Southwest, In 1834, about 4,658,000 acres of public land were bought, in 1835 this was jumped to 12,564,000 acres, and increased in 1836 to more than 20,000,000 acres. The money received by the government for these lands, such as it was, went into the deposit banks designated after the United States Bank fell out of favor. Much of it had come from them, created by financial sleight-of-hand in the first place; and now this money served further to expand their ebullient operations. Many a boom town was laid out, touted to eastern investors, and lots sold for good sums. In the crash of 1837 even the name, which is about all there was, disappeared, and the plow passed over the site of promised hotel, city hall, and college.

Distribution of the surplus of the federal government to the states became law in June, 1836. The consequent transference of public funds compelled the banks, in order to make the payments, to call on those who owed them. In July this restriction passed into apprehension with

the issue of Jackson's *Specie Circular*. This required that the land offices refuse paper money and accept only gold and silver. This put deserved official doubt on the trustworthiness of the bank notes in circulation, which was itself enough, in the prevailing state of inflation, to produce contraction followed by panic. Matters were made worse by the resulting call on eastern banks for specie to go to the West at just the moment when the financial centers needed their hard cash resources to steady the economy of the country. Crops were short because of the Hessian fly. Farmers could not pay the merchants, merchants could not pay the banks. Our imports had exceeded our exports. This situation became dangerous when English business houses and investors in American canals and railroads were warned by the *Specie Circular*, and, prompted by the Bank of England, began to demand payment in gold. Some English houses which had given large credits in America failed. Hard money became scarce and passed to a premium. The better paper was hoarded, so that much of that in circulation was badly depreciated, spurious, or the issues of defunct banks.

Depression, False Recovery, Relapse

On May 10, 1837, the New York banks suspended specie payment, and those of other principal cities followed within ten days. Nicholas Biddle, in justifying the banks of Philadelphia to a committee of citizens, said: "If the banks part with their specie, they must stop lending. The simple question, then, was whether to suspend the factories — suspend all trade, suspend all house-building, all canal-making, all road-making — or to suspend specie payment." For a time the states tried by various financial expedients to push forward the internal improvements on which they had entered, but from month to month the return on completed projects decreased, while the prospect of finishing others by continued issue of scrip to contractors vanished. This increased unemployment, severe enough already from the closing of factories and the failure of merchants. The canal and railroad construction, could it have been carried on, would have been an important means, not only of absorbing labor, but of sustaining the economic structure. A century later public works of many kinds became a main reliance for combating depression.

The federal government tried to help by withholding from the states the last installment of the Treasury surplus, by agreeing to receive the notes of specie-paying banks, and finally by repealing the *Specie Circular*. Biddle, president of the United States Bank (now a Pennsylvania insti-

tution), carried weight in resisting government pressure for an early resumption of specie payments by banks. He argued that resumption to be useful must be general, and that if it were premature, more harm than good would result. Furthermore, he, as the representative banker of the country, did not want resumption until President Van Buren's subtreasury scheme was killed. It was believed that the subtreasury plan would eliminate the banks from Treasury operations, which were nothing more nor less than collection and disbursement of government funds in specie. If the banks resumed and remained on a specie basis by compelling further business contraction and liquidation, the common distress would recommend Van Buren's subtreasury plan. If, on the other hand, the banks resumed and were obliged soon to suspend again, Van Buren would have the argument that banks could not be relied upon.

The banks of New York were eager to resume. That state in 1838 had passed its free banking law, which helped to restore confidence. Under this law any group of people wishing to start a bank need not get a special charter, which smacked of monopoly, but might deposit with the comptroller of the state public securities and receive a similar value in circulating notes. If the banking association thus formed did not redeem the notes in specie, the state would sell the securities and do so. This New York free banking law afterward furnished the chief model for the National Banking System. But Biddle and the large contingent of banks which followed him hung back until the subtreasury bill had been defeated, and then joined in resumption of specie payments in August, 1838. The New York banks had resumed in May, helped by £1,000,000 from the Bank of England.

British confidence in America had begun to return; new credits were extended and investments made. This was partly due to Biddle's large purchases of cotton for the Bank of the United States and its sale in England. The Bank had borrowed heavily abroad. Cotton would be the best means of paying these debts. The British mills had small supplies. Cotton was cheap in the South, where planters were so prostrated that they were compelled to sell their slaves for a fraction of the prices recently paid. In buying cotton the Bank would find an outlet for its notes and would collect debts due it from the South. Moreover, the entrance of the Bank into the cotton market would help to restore the South and so the country.

This policy, however, raised the price of cotton to English spinners. Speculation had always been a part of Biddle's motive, and now it took

the upper hand over salvage. The Bank and Biddle had made large sums on the cotton operations but they still held huge supplies for a rising market. Biddle retired from the Bank with a warning to his successors not to carry the cotton speculation too far, but the advice was not heeded. The market outlook abroad darkened. Britain was disturbed by the Chartist agitation for political and economic reform, then in its most acute stage, and British textile manufacturers would circumvent the American cotton monopolists by working only four days a week. The Bank of England advanced its discount rate. Because of a short grain crop, England bought from near-by countries, and called on debtors here to pay. The Bank of the United States was compelled to suspend specie payments early in October, 1839. The banks of the South and West followed. A new panic was at hand. Now the ensuing depression was deeper than that following 1837. Hard money disappeared from circulation, and men frequently resorted to barter rather than use a currency which contained counterfeits of more than thirteen hundred descriptions on two hundred and fifty banks. Stay laws were passed to prevent the collection of debts, bank suspensions were legalized, but even so the failure of banks and commercial houses was epidemic. Unemployment and wages cut in half destroyed the labor unions. Employers were taking the advice of the *New York Journal of Commerce* to "employ no men who do not forever abjure the unions. The good of the laborers and the peace of society demand this course. . . . The rules of the unions as to hours, pay, and everything else ought to be thoroughly broken up. . . . To work only ten hours in summer and eight hours in winter is to waste life."

The South and West were now worse hit than the East, which had suffered first. Work on internal improvements stopped altogether. Mississippi repudiated her debt. New Orleans banks, after a long suspension, resumed, only to suspend again in sixteen days. But the ill winds blew some good. Manufactures were made more proficient in order to cut costs. Parts of the cotton South turned temporarily to diversified farming; Edmund Ruffin, in South Carolina and Virginia, became the apostle of scientific agriculture. Since more money was lost in canals, which had been the great craze, than in railroads, the latter gained and henceforth held the upper hand. States passed banking laws to provide for periodic examination and forbid the scandalous practices which the panics had revealed.

The Independent or Subtreasury Act, passed in July, 1840, after two defeats, was a result of the panics and depression. Van Buren cham-

pioned it. That it was a sequel to Jackson's war on the Bank of the United States is indicated by the former President's plea, from his retirement in Nashville, to Democrats in Congress to enact it. The battle was still, in the minds of the actors, between the moneyed power wanting government to assist banks with public deposits and the common people demanding that the money-changers be driven from the temple. The deposit banks of Jackson were now discredited by the panics with all banks. Jackson's successor, therefore, resolved to designate public officers in each state to collect and pay out federal funds in specie. Specie was the talisman of morality, of enduring prosperity. In the end it was in vain that the Whigs, such as Henry Clay, pointed out that the plan would compel the use of hard money instead of paper, and thereby lower prices and injure debtors. Furthermore, the President was thinking only of the government's safety, but what about that of the people, who could be protected only if the government assisted the banks? The abuses of banks had brought a demand for economic primitivism.

Protection Increased, Reduced, Increased Again

The Tariff Act of 1842, which returned, roughly, to the duties of 1832, was prompted in the first place by the economic motive of supplying a national Treasury depleted by depression since 1837, and, secondly, by the Whig pique against President Tyler. Why should the proceeds of sales of public lands be distributed to the states while at the same time the Treasury was running behind, and was even unable to borrow what an improvident Congress authorized? The Whigs, therefore, passed two tariff increases which automatically suspended the distribution to the states; but Tyler vetoed the bills. Tyler clung, moreover, to the contention that the compromise tariff of 1833 imposed "the highest moral obligation" of both Democrats and Whigs to stand by the bargain which would put the maximum rate of duty at 20 per cent. Others shared his conviction, but by 1842, after the final failure of the Bank of the United States and the insolvency of a half-dozen important commonwealths, pressures combined to raise the tariff again. The general level of duties aimed at was 30 per cent, with higher rates for protection of some of the old staples of American manufacture and the extension of the favor now to many new industries which had sprung up. Wool, cotton, and glass manufactures were given more protection than under the Act of 1832, though those upon iron, leather goods, and paper were reduced. Whether this general sharp upward revision of the tariff in

1842 broke the depression or coincided with its natural end is a question. In any event, prosperity immediately ensued, and within three years the public debt had been cut in half.

In 1846, with the Democrats now in power under President Polk, the tariff was revised downward. The President's position on protection, hitherto in doubt, became painfully clear to the manufacturing interest when in his first message to Congress he declared virtually for revenue only. His Secretary of the Treasury, Robert J. Walker of Mississippi, in his annual report of 1845 fired a broadside against protection and appealed for popular approval. The protectionists had encountered no such assault since Nullification, and now it was from a national quarter. Walker charged that the tariff oppressed the poor, that the favored manufacturers got two thirds of the added payments which consumers must make on account of the Tariff of 1842, and the government but one third.

Walker framed the Act of 1846 which bore his name. However, it was far from the free-trade measure which his report had seemed to promise. Some duties, such as those on spirits, were as high as 100 per cent. The articles which had long claimed protection, such as metals, wool and woolens, leather, paper, and glass, were dutied at 30 per cent. Cottons were taxed at 25 per cent. On the other hand, minima were abolished, *ad-valorem* duties were substituted for specific, and raw materials of principal manufactures were given increased protection. In consequence of this last feature, the fine woolen manufacture (broadcloths) and the blanket industry were destroyed.

Nevertheless, in the long period of eleven years during which the Walker Tariff of 1846 remained in force, most manufactures shared in the general prosperity. This was marked by a fourfold increase in railroad mileage, the addition to the population of three million immigrants, the settlement of many of these in the newly opened prairie lands, and the doubling of our merchant fleet. While exports nearly doubled, imports nearly trebled. The adverse balance was met by our sending half our domestic production of gold abroad, the exploitation of the California fields having been begun in 1849.

The next tariff act, that of 1857, was passed by the Democrats, with only the feeblest opposition. Rates were generally and sharply lowered, the purpose being to reduce the national revenue, which was redundant, and to confirm the anti-protection policy of 1846. The rates on the old protected articles were put down from 30 per cent to 24 per cent. At the same time manufacturers found real comfort in the removal of some

of their raw materials from the dutiable to the free list. This Act of 1857 brought the country nearer to free trade than it has been between 1816 and the present.

The good times came to an end in the panic which struck in the autumn of 1857. The high level of expenditure on railroad construction, securities, and importations could not be supported by earnings. The collapse, coupled with the lower rates, reduced collections from import duties — almost the sole reliance of the national Treasury at that time — to two thirds what they had been. There was a brief attempt to make up the deficiency with paper money and borrowing, but the mounting debt made President Buchanan steadily more favorable to an increase of import duties, and even to incidental protection, in order to give confidence to manufacturers and assist revival. The Morrill Tariff, passed by the House in 1860 and by the Senate in the next session, 1861, was a measure doubly motivated, to increase both the revenue and protection. Morrill of Vermont, a member of the House Ways and Means Committee, was a strong protectionist, and at this time went ahead of what even the manufacturers demanded. The method was principally that of a shift from *ad-valorem* to specific duties. Though the declared intention was to have these new specific duties correspond to the *ad-valorem* rates of the Walker Tariff of 1846, they were in fact in many instances made higher, especially on iron and wool. The protective effect of the Morrill Act did something to attach Pennsylvania and some western states to the young Republican Party and to secure the election of Lincoln to the presidency. Though this tariff was passed before the Civil War actually began, and so was not a part of the financial legislation of that struggle, its enactment was made easier by the withdrawal of twelve southern senators.

American Foreign Commerce, 1814–1861

Our second war with England came to an end with the Treaty of Ghent, December 24, 1814. The Napoleonic Wars, finished at about the same time, more effectively removed the causes of dispute between the United States and Britain. The wars, together with peace in Europe, were powerful in determining the directions of American economic effort in the next period. Our war with Britain severely limited our foreign trade. In 1812, exports fell off by 40 per cent, though imports, mostly for domestic consumption, increased by some 50 per cent. In 1813,

exports dropped further, and imports were cut to little more than a third of what they had been the year before. In 1814, the declines continued. In 1815, revival began. During the time of practical severance from Europe, as we have noticed elsewhere, we of necessity began to manufacture for ourselves. Thrown on our own resources, we were painfully aware of our poor means of transportation, particularly between the East, with its commercial facilities and such industry as existed, and the agricultural West. The result was that after the war we began to protect manufactures and to develop turnpikes and canals, and later railroads. For a quarter-century our business became the expansion and co-ordination of our own economy. Foreign trade, a holdover from the earlier era in which we had not discovered or applied our own powers, but were in effect colonials still, was now neglected or thwarted by the "American System," which aimed to make us more self-sufficient.

This new turn, however, did not injure the foreign trade at once. On the contrary, until the depression of 1818–19, it enjoyed reckless recovery, so reckless as to promote its neglect later. Our ships were like dogs straining at the leash, waiting for the word that war was over to dash to Europe with our accumulations of surplus cotton, flour, grain, tobacco, rice, lumber. Europe was equally eager to receive these. Domestic exports in 1815 were nearly seven times what they had been in the last year of the war, and rose to almost $74,000,000 by 1818. Most of this was farm products, and one half cotton, which made New Orleans second only to New York in exports and put Charleston but slightly behind Boston.

The counterpart of this sudden pickup in exports was the overwhelming imports, mostly of manufactured goods from Britain. Imports retained for consumption rose from $12,000,000 in 1812 to $106,000,000 in 1815, $129,000,000 in 1816, and still stood at $102,000,000 in 1818. It has already been noted, in our discussion of the tariff, how the pell-mell sale of these at give-away prices had the effect of closing American factories and sending up loud cries for protection. The excess of imports over exports was the chief factor leading to panic and depression. But even before the trade stagnation, Congress in 1815 had abandoned special protection to American shipping by authorizing reciprocity in the direct trade with any country which cancelled discriminations against us. This was promptly embodied in a treaty with England, which hurt us in Britain and gave us no concessions in the British West Indies, from which our ships were still barred.

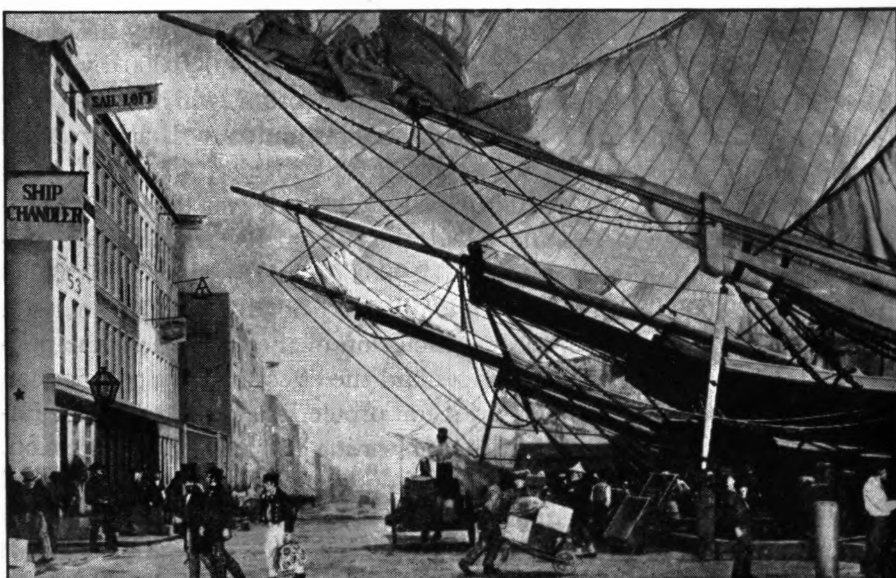
The depression of 1818–19 began a stagnation in foreign trade which

lasted for a dozen years. Exports between 1819 and 1830 grew hardly at all, and imports fell off sharply, while the tariff rose and the American need for manufactures was being increasingly met by home production.

The Ebb and Flow of Trade for Thirty Years

Beginning in 1831 and lasting until the depression of 1837, there was improvement in foreign trade, both export and import. In 1830, after much controversy, our vessels were placed on equal footing with the British in the British West Indies trade, and a succession of treaties with other countries in the following years removed disadvantages which our shipping had suffered. Our farm surpluses for export mounted with the expansion of the cotton kingdom. By 1836 total exports were $20,000,000 in advance of what they had ever been in our history. The import trade increased even more, from $71,000,000 to $190,000,000.

It was in this period that the agricultural South came to resent its dependence on the North for imported goods. Three fourths of the cotton crop found a market abroad, but the corresponding imports of manufactures from the cotton-using countries of northern Europe en-



Gendreau

BOWSPRITS OVER SOUTH STREET, NEW YORK CITY

From a model in Museum of the City of New York.

tered America mainly at Philadelphia, New York, and Boston. Such southern champions as J. D. B. DeBow, in his *Review* published at New Orleans, tried to stir southern enterprise to bring European imports direct to the South. This remained until the Civil War a favorite but vain hope.

The panic of 1837, though not due to foreign trade excesses as that of 1818–19 had been, began a setback in this department which continued for a decade. However, from 1846 to the Civil War, factors conspired to send our foreign trade to new records. The discovery of gold in California in 1848, in Australia in 1851, and in Colorado in 1859 raised prices and quickened economic activity all over the world. The superiority of railroads to canals had now been demonstrated, and the mileage, much of it in trunk lines connecting East and West, trebled from 1850 to 1860, when it was 30,635 miles. The granary of the Middle West was opened.

The livestock industry was an accompaniment of grain production; meat-packing was centering at Chicago. From 1840 to 1860, the wheat, corn, and tobacco crops doubled. Just at the time we had increased surpluses for export, the Corn Laws of Great Britain were repealed, and all duties were taken off our foodstuffs by 1849. This coincided, moreover, with famine in Ireland. British manufacturers had striven for years to cancel the tariffs on food, in order to lower the cost of living and thus the wages of the industrial population, and to increase foreign markets for the output of British factories. America aided the latter ambition by reducing import duties in 1846 and again in 1857. Still our own manufactures grew, nearly doubling in value between 1850 and 1860. Our home demand did not absorb all, so that in this decade the export of manufactures doubled as well.

Commodore Perry's visit to Japan proved him a great salesman, and our treaty with China, following the opium war, gave us free admission to certain ports of that country also. Matthew C. Perry, brother of the Commodore Perry who had won the battle against the British on Lake Erie in the War of 1812, was a sort of seagoing diplomat. He had been concerned in our establishment of Liberia. He had conveyed our envoy, John Randolph of Roanoke, to Russia and declined an invitation to join the Czar's navy. A bossy man with a distinct disciplinary cut about his jib, he had patrolled the African coast to intercept slavers and had chased and captured pirates in the Caribbean. In 1852 he sailed from Norfolk on the important errand of opening Japanese trade to our merchants. He took letters to the Emperor from President Fillmore

and the Secretary of State. He dropped the anchors of an imposing fleet in Yedo Bay and sent for high authorities to receive him and his letters. When princes of the royal blood were tardy in arriving, Perry explained that he might have to go ashore with his sailors and compel civility. The result of his importunate visits — he remained in those waters two years — was the treaty of amity and commerce signed at Yokohama in 1854. It gave us trading rights at two Japanese ports and protection for our sailors. This was the virtual beginning of the westernization of Japan, which until then had been a closed country. Perry was an early imperialist who wanted to increase our commercial and naval strength in the Pacific. Thereby hung a tale which was to unfold nearly a century later.

After Perry's visit, a favorable balance of trade became regular. All exports rose from a value of about \$113,500,000 in 1846 to more than \$400,000,000 in 1860 and imports from \$121,700,000 to over \$362,000,-000. American tonnage in foreign trade, almost 2,500,000 tons in 1861, reached the highest point in our history until World War II.

Romance of the Clipper Ships

These were the days of the streamlined clipper ship, which left the tradition of bluff bows inherited from the Dutch cargo carriers, and, instead of breasting the waves, cut through them. She was "sharp built," her front end hollowed out, her "easy" lines sweeping back to a tapering stern. Instead of the old flat "kettle bottom," she had marked "dead rise" — that is, she was wedge-shaped above the keel. In addition to the svelte hull her speed was insured by towering masts with wide spars to carry an enormous spread of canvas. In the most extreme designs, her mainmast might be 160 feet, her mainyard 85, and the total area of sail 11,000 square yards, larger than a football field. Daring clipper captains "drove" their ships, cracking on every bit of sail possible, to the point of recklessness. The vessels were often badly, even disastrously, strained in all their parts. But the combination of sleek hull, clouds of canvas, and intrepid skipper made the clipper the fastest sailing ship in history. Moreover, before the end of the era ship architects learned how to fine down the lines for speed without too great a sacrifice of cargo capacity.

Clippers were built between the early thirties and the middle fifties of the nineteenth century, but there was no abrupt beginning nor end of this most romantic American model. Swiftness had been the means of

dodging British and French corvettes before the War of 1812, and of avoiding our own frigates which enforced embargo and non-intercourse. During the war our privateers which swarmed out of Chesapeake, Delaware, and New England ports had to make up in nimbleness what they lacked in size. The Baltimore pilot boats and the first sailing packets were swift. The *Ann McKim*, launched at Baltimore in 1833, has often been designated the "first clipper ship," but others have preferred to reserve that honor for the *Rainbow*, launched at New York in 1845. Similarly, at the close of the period bottoms were gradually flattened, and reach of masts and spars was reduced little by little, so that the clipper ship faded before she finally vanished.

What were the opportunities and demands of maritime trade which called out the succession of clippers which found supreme example in the *Sea Witch*, *Oriental*, *Stag Hound*, *Nightingale*, *Northern Light*, *Sovereign of the Seas*, and scores more like them? Fitful airs of the tropics to be captured; the slave traffic, illicit after 1808, which necessitated fleetness to elude watching men-of-war; western grain pouring out through the Erie Canal to be hurried to hungry Europe; after repeal of the British Navigation Acts, races with English ships to take tea to London; the gold rush to California, when every hour's delay seemed to forfeit riches, and on top of that the gold fever in Australia — all these bore their part. Nor must we forget the multitude of immigrants to be brought to American shores, especially after the Irish potato famine of 1846 and the European revolutions of two years later. When our merchant fleet reached its zenith in 1855 (5,212,000 tons, more than 85 per cent sail), it almost equaled that of Britain in tonnage and surpassed it in excellence. In the one year, 586,000 tons had been added, which alone was three times what we had when the Constitution was adopted. Almost half the shipping in Chinese waters at the end of that year was American, while something more than two thirds as much flew the British flag. So far had we come since that day in 1784 when the *Empress of China* out of New York reached Macao (port of Hongkong), her "Captain and crew . . . elated on being . . . the first instruments, in the hands of Providence, who have undertaken to extend the commerce of the United States . . . to that distant, and to us unexplored, country." Three years later had begun the voyage of the *Columbia*, from Boston, which was the first ship to carry the American flag around the world. But by the middle eighteen-fifties, the decline of our merchant marine, after brilliant exploits, was already prepared. Anxious congressional inquiry was later to lay it to this and that, principally to the loss of supremacy

during the Civil War. As a matter of fact, the explanation is to be found in preoccupation with interior development of the continent, in railroads and factories and cities, which drew enterprise and capital. It has been tersely said that "the doom of the American merchant marine was sealed in the Louisiana Purchase." [1]

With the recovery from the War of 1812, taught by previous privateering and eager to challenge competition, American shipbuilders strove for speed in their craft. They whittled and sanded model after model, and since many of these survive we have visible evidence of their progress toward the most desirable combination of qualities to give swiftness, capacity, and safety. Not long before, the lumbering British merchantmen, straight-sided floating castles with bulbous bows, wallowed along at two or three knots an hour on the average, five knots for short periods being matter of comment. The ship *Globe* might have been named for her contour, for she "would beat her head three times against a billow and then fall off and sail around it." Vessels with more pretense to fast sailing were content with six knots. From this it is a far cry to the record twenty and twenty-one knots of the finest of the later clippers. Ships with reputations for swiftness got cargoes first and at the highest rates, while their slower sisters lay waiting empty. The intention of American shipowners to hurry the Atlantic passage beyond the thirty or forty days eastward and twice as long westward took shape in the packet lines of which the Black Ball, beginning in 1818 fortnightly service between New York and Liverpool, was the first. This was followed before 1830 by the Red Star and Swallow Tail lines on the same run, and by those of Francis Depew (Havre and New York), Cope (Philadelphia and Liverpool), the Boston and Liverpool Packet Company, and others.

Sufferers in Steerage

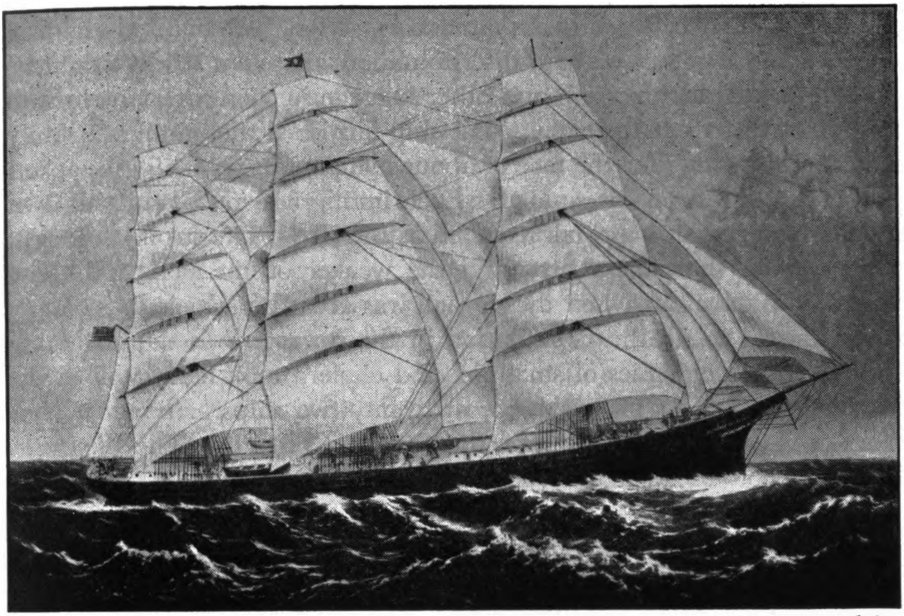
These ships were far from clippers, but they cut the westward passage, against prevailing winds, to forty days. All that was then known was done for the comfort of the relatively few cabin passengers. One of these packets took to sea a floating barnyard. The longboat was housed over to contain the pigs and sheep, chicken coops were on top, and the padded cow house, accommodating a couple of milkers, was lashed over the main hatch. It is even said that a few captains cultivated vegetable patches aboard: In contrast, less than nothing was done for the immi-

[1] Carl C. Cutler, *Greyhounds of the Sea*, p. 309.

grants, crowded between decks amidships. Men, women, and children were packed together without discrimination, though a family might be able to dispose its furniture and other luggage in such a way as to wall itself in for attempted privacy. The ship furnished the immigrants only water and "firing" for the fare of about five pounds on the best packets and a pound less on the smaller. Each immigrant must bring his own food, which cost at least half as much as the fare. The strongest fought their way to the galleys first, and the weaker or the sick, and those whose food gave out when the voyage was greatly prolonged, in many cases starved to death. Ventilation in the steerage was the last thing thought of. Epidemics of smallpox and cholera took heavy toll in the human freight. As late as 1853, in twenty-two ships arriving in New York in six weeks in the autumn, there were 363 deaths. The *Winchester* lost 79 out of 463 passengers, and others in proportion.

The later "clipper packets," beginning with those of the Dramatic Line, which began service in 1836, were larger and faster than those of the earlier period. The *Roscius*, belonging to this line, was 1009 tons, the biggest American merchantman. She cost $100,000, whereas most sizable packets of the day were built for half as much. With other ships of her type, she reduced the average running time from New York to Liverpool to twenty days, and the return to thirty days. Faster passages were usually made by the packets which came later, some of them of two thousand tons. Though steam packets offered increasing competition from the late thirties, the sailing masters laughed at them as good only for slow traffic, and right up to the Civil War many passengers preferred sail for comfort and safety if not for speed.

The gold rush increased the magnitude and tempo of American shipping. In 1849 as many as 775 ships left eastern ports for California, with prospectors, merchants, and all manner of goods to be dumped on the beach at Yerba Buena (San Francisco). Anything that could sail or steam to El Dorado was in wild demand; six months in 1850 saw 1360 vessels released from the ways all along the east coast from Maine to Maryland. Each year more of the new ships were the swift clippers. In fact, a clipper fever coincided with the gold fever, for one of these ships sometimes repaid her whole cost and expense and earned a handsome profit in a single voyage. There had never been such prizes for speed on the sea. Sailing masters, instead of trusting to luck and imperfect knowledge as of old, now followed the current and wind charts of Matthew Fontaine Maury, head of the Naval Observatory, who was plotting the seas. The gold discoveries in Australia in 1850 and 1851



Culver

CLIPPER SHIP "THREE BROTHERS"

added to the frenzy. At first many fast American ships were bought or ordered by British firms to bring Australian gold to London, and to carry out the goods and fortune-hunters, but after a few years this business melted away from our yards, as Britishers increased their steam tonnage or turned to building their own clippers with iron hulls. Our ships, racing around the Horn for California, often continued their voyages to Australia and China short-handed because of wholesale desertions for the gold fields. The whole world of commerce was linked by the gold discoveries, for bullion flowed along every sea route, raising freight rates and fares to whatever heights cupidity demanded and gave. One of the briskest trades was in transporting Chinese coolies to California, South America, and the West Indies; those who paid their passages to the gold fields fared badly enough, but the hundreds of thousands duped or kidnaped were battened down as hardly the Negro slaves had been.

Faster and faster passages were made in every ocean. The chief record-breaker was the *Sea Witch*, Captain R. H. Waterman. Launched at New York in 1846, she was designed by the celebrated naval architect John W. Griffiths, and was 192 feet over all, 34 feet beam, 19 hold, and

900 tons. In 1849 she set the all-time record for sail of seventy-four days and fourteen hours from Hong Kong to New York. Freeman Hatch in 1853 brought the *Northern Light* from San Francisco to Boston in seventy-six days, six hours, and the next year the *Comet*, Captain E. C. Gardner, reached New York from San Francisco in seventy-six days. There is a cluster of record transatlantic runs eastward around thirteen and fourteen days, but, distance considered, the best was that of the *Mary Whitridge*, Captain Robert B. Cheesebrough, from Baltimore to the English Channel in twelve days in 1854. The best westward passage was that of the *Andrew Jackson*, Captain Johnson, Liverpool to New York in fifteen days in 1860.[1]

Steam versus Sail

Despite developments in steam-propelled vessels in the dozen years following the success of Fulton's *Clermont*, it was assumed that their use would be confined to the safe waters of rivers, harbors, and near-shore navigation. In 1819, however, the accuracy of this notion was challenged, though not disproved, by the crossing of the *Savannah* from Charleston to Liverpool. She was a full-rigged ship of 350 tons, built for sail alone, but was bought by a firm which installed an engine. Her paddle-wheels, without covers, could in a few minutes be hoisted on deck, so as to offer no resistance when not in use. In her passage of twenty-one days, she used steam only eighty hours, and ran out of coal at that. Still, she was the first vessel to employ steam power in crossing the Atlantic. A decade later two vessels with auxiliary steam power went from England to India, one of them working her engine most of the distance.

The year 1838, however, demonstrated the practicability of steam as a main reliance in the Atlantic crossing, when the *Sirius*, 703 tons, puffed into New York Harbor, seventeen days out from Queenstown, Ireland. She had had her troubles; the captain calmed the fears of a near-mutinous crew, and spars were cut up to keep her fires going at the last. The very next day arrived in New York from Bristol the *Great Western*, designed for this run by the bold engineer Brunel. She was of 1321 gross tons, made better than eight knots, and still had one fourth of her coal remaining. The *Sirius* and *Great Western* were soon making

[1] Some remarkable twenty-four-hour runs by clippers were: *Sovereign of the Seas*, 421 nautical miles (1853); *Flying Cloud*, 374 miles (1851), at that time the fastest day's run made by sail or steam; the record of the *Sea Witch* was 358 miles.

the Atlantic crossing in fifteen days or a little less, and had plenty of applicants for passage. Later this same year the *Royal William*, about the size of the *Sirius*, was the first steam vessel to go from Liverpool to New York, and the next year the *British Queen*, larger even than the *Great Western*, arrived from Portsmouth, crossing at an average speed of ten knots. All of these were wooden hulls, and had sails, as well as engines driving paddle-wheels, as was true of the ocean-going steamers for some years.

In 1840, the *Britannia*, the first of the Cunarders, arrived in Boston from Liverpool. This is a memorable date, for it inaugurated the great shipping line which has expanded in the whole century since. Two years before, Samuel Cunard, merchant and shipowner of Halifax, Nova Scotia, chanced upon a circular of the Lords Commissioners of the Admiralty asking for bids to carry the American mails by steamers. The authorities were convinced by the performance of steam vessels on the Atlantic that for regularity, safety, and average speed they were preferable in the mail service to the naval brigs which had been used. Cunard seized the chance to get a subsidy to carry out a dream long in his mind. Going to England, he promptly interested three influential shipping men with him and got the necessary £270,000 of capital subscribed. After sharp competition from the owners of the *Great Western*, he secured the seven-year contract to carry mails once a fortnight between Liverpool, Halifax, and Boston, for £81,000 a year, or £3300 per round voyage. Of four steamers set building on the Clyde, the *Britannia* was the first completed. They were not the fastest or largest ships afloat (they could carry 115 cabin passengers and 225 tons of freight at 8½ knots), but they had the advantage, besides the government subsidy, of being all alike, so that one buying a ticket from the line knew just what his accommodations would be, no matter in which ship he sailed.

In 1845, the United States government offered subsidies to owners of American ships, preferably steamers, for carrying the mails to Europe, and two years later amplified the policy. The New York and Liverpool United States Mail Steamship Company (Collins Line) was the first important one to take advantage of the offer. E. K. Collins was head of the Dramatic Line of sailing packets, but he saw that the future in the regular transatlantic service belonged to steam. With wealthy backers he built four first-class wooden steamers — the *Arctic*, *Baltic*, *Atlantic*, and *Pacific* — to maintain a fortnightly schedule with a subsidy of $33,000 per voyage and a maximum of $858,000 per annum.

Decline of American Steamship Lines

Now began the period of intense rivalry between Atlantic steamer lines. The sailing clippers were being diverted to the California trade by the discovery of gold there. Not only was this a highly profitable run, in which the speed of the best sailing vessels was at a premium, but American clippers had a monopoly of the coast-to-coast business because the law reserved trade between our ports to our own ships. This left the carriage of European immigrants increasingly to the steamers, which had previously brought no passengers in steerage. Furthermore, repeal of the British Navigation Acts in 1849 had opened wider opportunities to British steam lines, which could now bring cargoes from the Continent to England for transshipment to America. The main contest was between the Cunard and Collins lines, but others shared in the rivalry. The Hamburg-American Line, started in 1847 with sailing ships, in 1853 turned to steam. The North-German Lloyd began operations in 1856. Of special interest is the Inman Line, of which William Inman, partner in a Liverpool shipping firm, was the enterpriser. He was the first to offer in steamers steerage accommodations much superior to the abominable quarters to which the sailing packets condemned immigrants. Inman and his wife several times crossed in steerage to discover at first hand what improvement of conditions the immigrants required. This line bought the recently built *City of Glasgow*, notable because she helped to demonstrate the superiority of the screw propeller, which had been increasingly used for two decades, and because she had, in addition to first- and second-class cabins, room for four hundred in the steerage. The *City of Glasgow* made her first run under the Inman flag to Philadelphia in 1850, and soon other successful ships with the *City* prefix were added to the line.

This period of rivalry between transatlantic steamer lines in the fifties was marked by races for the "blue ribbon" for record crossings. The time was lowered from the former fifteen and thirteen days (which the best of the clipper sailing packets could match) to something under ten days. Iron steamers with double bottoms, watertight bulkheads, and screw propellers became more numerous. Fares were reduced until they stood, for cabin passengers on the best ships, at less than one hundred and fifty dollars, and were substantially less on smaller vessels. In 1855, the British Passengers' Act went a long way to better the lot of immigrants. It was provoked by the fearful loss of life in the steerage, especially of sailing ships, and by appalling wrecks of steamers carrying

large numbers below decks. The act provided for government inspection of ships licensed to carry steerage passengers to see that they conformed to requirements as to space, ventilation, separation of the sexes in sleeping quarters, and medical attention; not least important, the ships must provide and cook food for the steerage passengers. The best steamers began to carry ice, to install devices for distilling sea water, and had steam heat.

While European lines to these shores prospered, developments went against the American. A succession of steamers, especially of the Collins Line, were wrecked. Strong opposition to the mail subsidy going to this company came from ports, such as Boston, Philadelphia, and Baltimore, which did not benefit, and from railroad interests. The South, which was jealous of all federal assistance to northern enterprise, and which was making unavailing attempts to promote lines direct from southern ports to Europe, added its criticism. In 1856 the subsidy of the Collins Line was cut to less than half, and two years later the mail subsidies were virtually abandoned by substitution of sea postage only. This was a body blow to the Collins Line, which gave up the struggle this same year, 1858. It had never paid a dividend, its ships being more expensive to build and operate than the British and behind their rivals in technical features. The disappearance of Collins signaled the decline of other American lines, which was completed by the Civil War. The British went on to new successes. In 1859, the Royal Naval Reserve gave encouragement to seamen in the mercantile marine, and the same year Samuel Cunard was made a baronet.

We may conclude this brief survey of the progress of steam shipping on the Atlantic with mention of the *Great Eastern*, which made her maiden voyage from Southampton to New York in the summer of 1860. She showed in exaggerated degree the development of the iron steamship to that time. The length of this "monstrosity," 692 feet, was not exceeded until 1899; she was of 33,000 tons displacement, which is greater than that of most ocean liners today. She had both paddlewheels and propeller, and the first steam-powered steering. She was designed for the long run from England to Australia without coaling, but expensive mishaps about her launching resulted in diverting her to the Atlantic crossing, for which she was not suited, and where she was a failure. This was before the days of the tourist trade, in which her spectacular size would have made her an attraction.

A few words in summary of foreign trade in the period up to the Civil War: domestic products took the place of foreign goods in the export

trade, cotton in the South gaining precedence over the old exports of tobacco, indigo, naval stores, and rice, and the North and West turning from fishing and the fur trade to agriculture and manufacturing. New great ports appeared as our national area expanded to embrace Texas and California. Trade with the West Indies declined relatively and absolutely, but that with the Orient, Hawaii, and South America expanded. However, our internal trade became of greater importance than our foreign commerce, for North, West, and South specialized their products, and had the transportation for exchanging with each other.

Rise and Fall of Whaling

Edmund Burke, in his most celebrated oration, chose the American whaleman as the type of daring and persevering Yankee. These hunters for blubber and bone made the names of little harbors of Long Island and New England known in all the ports of the world. In finding polar passages and remotest islands, they preceded avowed discoverers. They combined the canniness of the trader, the recklessness of the adventurer, the skill of the navigator. At its maximum development in 1846 the whaling industry employed 735 vessels (233,000 tonnage), and brought in 95,000 barrels of sperm oil, 207,000 barrels of whale oil, and 2,277,000 pounds of whalebone.

In the early days right whales, chief yielders of whalebone and whale oil, were numerous along the Atlantic coast, where they came to feed on herring in the shallows. The Indians, before the colonists arrived, eagerly cut up drift whales and pursued others in their birchbark canoes. The white men followed the same practices. The proceeds of a drift whale were divided into thirds going to the colonial government, to the town where cast up, and to the finder. As early as 1650, Easthampton and Southampton, Long Island, had whale-killers using the Indian method of sticking in harpoons with lines attached to pieces of board or inflated skins as "droges" or drags which wore down the prey until he could be dispatched with arrows. The shore whaling was systematized, with lookouts and boat crews ready. Captured whales were towed ashore for cutting off and trying out their blubber.

Soon small vessels carrying one or two whaleboats began cruising near the land, and shortly after 1700 made voyages in deep water after the sperm whale, a faster and more dangerous adversary than the right whale, and yielding a finer grade of oil, though no commercial whalebone. The long line from the harpoon was fastened to the boat, making

an effective drag on the whale, and, if all went well, keeping the hunters up with their quarry in this "Nantucket sleigh-ride." But often boats were pulled under when the whale sounded, or were smashed by the lashing flukes of the tail.

The principal whaling ports were those at the eastern end of Long Island, Nantucket, New Bedford, New London, but many harbors up and down the coast were represented by smaller fleets. Before the Revolution the North Atlantic was being ranged for whales, and a beginning had been made south of the equator. The war well-nigh put a stop to the industry, because of British depredations and of course loss of British bounties on whale products and whaling vessels. By 1790, however, came revival; the demand for sperm candles instead of tallow gained in Europe and here, and our vessels began to round the Horn into the Pacific hunting grounds.

Until about 1825, the crews were composed of local men and boys from the whaling towns and near-by countryside. Shipmates were apt to be related to each other by blood or marriage, and had the *esprit de corps* and high efficiency in teamwork which their hazardous calling demanded. Later, when New Englanders were entering factories and more were answering the call of the West, the growing industry could not attract enough Yankee hands, and crews began to embrace men of every race and clime. To the Indians and Negroes,[1] long favorites, were added Portuguese, Scandinavians, Germans, Irish, Sandwich Islanders, South Sea beachcombers, with Americans recruited from inland points. The long voyages for sperm whale — three and a half years average while whaling was at its prime, four or more years later on, when whales were scarcer — were cursed by unutterable boredom broken irregularly by risky and intensive work. Much time was whiled away with making knick-knacks of whale teeth, but more with forecastle fuming against the officers and threats of revenge to be taken on the outfitters and their waterfront accomplices who had deceived and exploited the ignorant and helpless sailors. Under these circumstances, with a crew heterogeneous, young, and half of them incompetent, discipline had to be rigid, but it often passed into gross brutality.

Members of the crews were not paid stipulated wages, but each his own proportion of the net proceeds of the voyage, less advances of supplies at exorbitant figures and numerous other charges. The average earnings of a foremast hand in the middle decades of the nineteenth

[1] Lewis Temple, a Negro, was the New Bedford whalecraft maker who in 1848 invented the toggle-headed harpoon which became universal in preference to scores of others.

century were from three dollars to eight dollars per month, less deductions but plus his keep. This was about half what seamen on merchant vessels were getting, and half or less than half the wages of unskilled labor on land. Profits to the owners varied enormously with length of voyage, market for products, and economy of management, but averaged a modest, even a small percentage on investment, something more than 6 per cent in right whaling, and not so much in sperm whaling.

The period of the Civil War abruptly marked the decline of whaling. Petroleum was displacing whale oil as illuminant and lubricant, and natural gas was making inroads. These were the enduring causes of decay. In the years of hostilities the whaling fleet was cut in half by captures by Confederate cruisers, by transfer of vessels to foreign flags, and by the sinking of forty old whalers, loaded with stones, in the effort to close the harbors of Charleston and Savannah against blockade-runners. In the seventies, when whales had become scarcer, the vessels in several years were tempted to remain so late in the arctic seas that fleets were frozen in and crushed by the ice, the total loss being about $3,000,000. There was no capital for replacement, for the resources of New Bedford and other New England fishing towns were going into cotton mills and railroads. By 1886 the whaling fleet had diminished to 29,000 tons, one seventh of what it had been forty years before, and by 1906 there were less than 10,000 tons, just 42 vessels. Finally only the bark *Wanderer* and the ship *Charles W. Morgan* were left; the former was wrecked in 1934, and the latter is now a whaling museum at New Bedford.

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Chapter 19

Material Progress and Social Protest

THE FIRST PART OF THIS CHAPTER deals with material progress, as illustrated by the development of textile industries and by application of the reaper to grain production. But practical accomplishment in mechanized, large-scale manufacture and agriculture was accompanied by economic and social protests. Hence the second part of the chapter is concerned with the organized efforts of workers in the early thirties and with certain experimental communities established by idealistic reformers in this period and a little later.

It has been properly said that the New England cotton manufacture "brought to America the Industrial Revolution . . . the introduction of a wholly new element into the national economy." [1] Cotton manufacture was the first to be standardized in mechanical methods, in product, in procurement of capital and labor, and was first to become dominant in its area. Cotton mills were built in New England after the War of 1812 rather than elsewhere because this region had most of the necessary elements in a peculiar degree. Enterprise developed and capital accumulated in shipping were ready to be diverted when overseas commerce was injured by embargo, war, and protective tariffs. Water power was available near the coast, the damp "spinning climate" was favorable, and fairly dense population found agriculture relatively unproductive. New England did not have the easy access to the West which attracted capital and labor of the middle states, nor did she have the raw material, but raw cotton was cheaply brought by sea.

The industry began to develop in its modern form when we were cut off from British imports, when patriotism favored American manufacture, and when the increasing western population demanded stout fabrics. The little cotton mills in southeastern New England, patterned

[1] Caroline F. Ware, *The Early New England Cotton Manufacture*, p. 17.

after the Brown and Slater model, had been small, had relied on hand labor for all but the spinning process proper, and had an imperfect system for distributing yarn to storekeepers and weavers. Factory weaving developed, just as in England, through the "putting-out" system: the weavers, working in their own homes, were paid for their cloth in yarn, food, and so on, from the company store. Gradually, for greater convenience in supervising weaving, looms, all operated by hand, were placed in the mill itself, but some time passed before bleaching, dyeing, and finishing of cloth was done in the cotton factories. Most of the machine-minders (piecers) were children.

Until 1810, when embargo and non-intercourse showed their effect, not more than four new cotton mills had been erected in New England for some time past, but in this year there were eight, the next year seven. Then came the stimulus of war, and between 1812 and 1815, no fewer than seventy-three cotton factories were built. This spurt in the industry was more emphatic in New England than in the middle states and South. Especially large profits were to be made while the cost of raw cotton lagged behind that of yarns and cloth. The old American preference for India and English goods was no longer a hindrance, for these were not to be had.

The new departure was typified in the Boston Manufacturing Company, which built at the near-by town of Waltham, in 1813, the first cotton mill with power weaving as well as spinning. It became the example for other factories. Now entered the industrialist as we have known him since. Rather than a mechanic depending upon local community for capital, labor, and market, he was an enterpriser and business organizer, a promoter looking to wide territory for all the elements of success. He used the corporate form for collecting ample capital, applied the best equipment in large plants, and was willing to do expensive preparatory work in development of water power. Francis C. Lowell, the founder of the Boston Manufacturing Company, persuaded other rich merchants to join with him in applying to the legislature for incorporation with the then large capital of $300,000. Lowell had seen the power loom in England, and had it reproduced here by one of his mechanics; though imperfect at first, the loom and much other textile machinery underwent constant improvement at the Waltham mill. The older mills continued to try to attract whole families for workers, mainly in order to use the children, but the Boston Company employed in preference young women. By means of carefully supervised company boarding houses, any repugnance of farm families against letting their daugh-

ters enter factory work was overcome. This became for thirty years a characteristic feature of mills which imitated the Waltham plan.

This mill and others which followed its example in efficiency were profitable even in the years after the war, made difficult by English imports and by the depression of 1819–21. These best mills could probably have done without the tariff of 1816.[1]

Francis C. Lowell and New Factory Towns

With the return of prosperity in 1821, there was a rush of new mill building; 167 new plants were erected in the decade following 1823. This development was led by the capitalists associated with Francis C. Lowell, who received recruits from those convinced, by this time, that New England's future lay in manufactures rather than in shipping. Having reached the limit of the water power of the Charles River at Waltham, the enterprisers developed a new town called after Lowell. Here the company utilized the thirty-two-foot fall of the Merrimack River, buying a large acreage, constructing a dam and canals the sites along which were occupied by the company's rapidly increasing mills or were sold to others. These became the type mills of New England, operating with large capital ($1,000,000 in the case of the Appleton in 1828), producing heavy sheeting, and having boarding houses for the women who composed the body of the workers. The example of Lowell was copied at other points in northern New England, notably Dover and Manchester, New Hampshire, and Saco, Maine. Small mills in the old locations on little water powers continued to be built, but had less uniform success than the large plants. Of the mills erected in Massachusetts up to 1845, one seventh had half the total capitalization. Canals and railroads, protective tariffs, and westward expansion aided the rising industry.

The depression following 1837 checked textile development which had become almost frenzied, and brought to the surface the first conspicuous criticisms of the industrial régime in the form of utopian communities and publications, an anti-monopoly movement, and reform leagues of workers. Beginning with 1843 the industry entered on a fresh period of expansion. The near-by center of Lawrence was started by Lowell interests; New Bedford, while yet whaling ships continued to

[1] The original Waltham mill, or part of it, is still standing, surrounded by additions. It had a career of more than a century until, in common with many other New England cotton factories, it succumbed to fatal competition from the South.

crowd its docks, began making fine cloths; soon Holyoke, at the falls of the Connecticut, was to grow from a country village to one of the foremost industrial cities. While cotton factories were planted in New York, Ohio, and Indiana, frequently with New England enterprisers, and in the South on New England models, in 1860 some 70 per cent of capital and product belonged to the older section.

Capital came from fortunes originally accumulated in foreign commerce, from the reinvested earnings of the companies themselves, and from a multitude of buyers of mill stocks when the corporate form of enterprise, with limited liability, had been popularized by the large undertakings in the cotton textile industry. Selling agents who handled the mills' goods began to buy into the factories, aided by the wide distribution of shares among small holders, no one of whom had sufficient interest or experience to take active part in direction of the corporation. These were absentees, who, as profits fell with multiplication of plants, made exploitation of workers a steady policy. The selling agents took full responsibility for collections and increasingly made advances on goods for running expenses of the factories. Thus, the revolution in manufacturing was followed by a revolution in marketing and financing methods. All of this was very different from the old days at the beginning of the century when mills sent their yarn in wagons to be swapped for butter, fish, and other products in which wages of the workers were paid through the company store, or shipped their goods South to be exchanged for cotton. As the industry developed, enterprise progressively passed from producer to seller.

Another feature of large-scale capitalist industry was increasing exports of staple goods to China, India, and elsewhere in the East. After the opening of the Chinese treaty ports, this business in 1843 amounted to a million dollars and reached a peak of eight million a decade later, coolie cloth alone accounting for as much as half of American exports of cotton goods.

Labor Conditions in Textile Mills

In the early days children began working as young as six. In 1820, about half the workers in New England cotton mills were children; the proportion of children fell with the years, but as late as 1853, Rhode Island still had 1857 operatives under fifteen years of age, 59 of these under nine.

The large mills were apt to use the boarding-house system, employing

young women who came to the factories for a year or two with the intention of returning to rural life. Some wanted to escape loneliness on the isolated farms of upper New England; some wanted to earn to provide education for themselves or brothers, or to accumulate something for marriage. Girls leaving the mills after a short stay sent friends to the factory villages. However, this supply fell off as new mills were built, and agents were sent into Vermont, New Hampshire, and Maine to bring back girls. The *Lowell Offering; A Repository of Original Articles Written Exclusively by Females Actively Employed in the Mills* (1840–45) circulated widely and advertised the best aspects of life in the mill town under paternalistic company management. Visitors, Charles Dickens among them, testified to the good appearance and self-respect of these workers as compared with the factory class in Britain. The employers got the advantage of alert, healthy, adult workers, but the labor turnover was high. Most girls, staying a short time, were not injured by low wages and long hours, but the progress of labor was retarded because the young women, regarding themselves as only temporarily in the factories, were slow to take collective action for bettering conditions. Such strikes as occurred had the effect of hastening the substitution of immigrants — at first the Irish; by the fifties, when so many New England rural families had migrated to the West, half the mill workers were foreigners, and this trend continued.

The boarding-house mills paid higher wages than the family mills — in the thirties about $2.50 a week to women whose board cost $1.25 a week. These mills paid in cash at fortnightly intervals. In the family mills women received $2 a week; men from $1 to $1.50 a day (they did the skilled work); and children always less than 75 cents a week. The family mills, moreover, paid only quarterly, and not in cash but in store orders. This "truck" system saved working capital for the mill, but reduced earnings of the workers because the company stores charged high prices, and only exceptional families kept out of debt. Wages up to the Civil War were reduced, and workers were required to tend more machines. The few other employments open to women, mainly sewing and domestic service, paid less than mill work.

Hours were longer in summer than in winter, averaging twelve and a half hours a day during the year. The mills were badly ventilated, hot, and humid. The ten-hour day, introduced in government employment in 1840, while advocated for cotton factories, was not adopted. There was no effective legislation shortening the hours of adult workers until after the Civil War, when the first Massachusetts law was enacted in

1874. The illiteracy of factory children rather than their long hours first attracted attention, and states began to require, in the forties and fifties, that children to be employed must have had three months of schooling in the previous twelve months. Massachusetts in 1842 limited working hours of children under twelve to ten a day, and other states followed with better or poorer regulations; however, enforcement was slack. Strikes of native workers met defeat, the "yellow-dog" contract (promise by workers that they would not join a union) was exacted, and when immigrants began to fill the mills, their poverty permitted fresh labor exploitation. By the time of the Civil War, any pretense of personal acquaintance, much less association, of workers and employers in the typical factories had been discarded, and the class-consciousness of both groups was felt and expressed.

Large-Scale Industrial Promotion

Holyoke, Massachusetts, as we have mentioned, was developed in the middle of the nineteenth century from a country village to a leading industrial center.[1] The "cotton lords" of Lowell and Lawrence, with their wealthy associates, furnished the capital under the initiative of a Boston selling agent who became the active director of the whole enterprise. Extension in 1845 of the Hartford–Springfield line of railroad up to Northampton through the site that was to become Holyoke made the project possible, though foundation for the development lay in the great water power at the falls of the Connecticut River. The basic corporation, made up of two hundred individuals and a few business firms, subscribed $2,450,000 capital and in 1849 threw a dam, thirty feet high and more than a thousand feet long, across the river. The waters so impounded were led through long canals constructed on three levels so as to make maximum use of the sixty-nine-foot fall. Mill sites were leased or sold.

Holyoke was a company-owned town, with absentee owners at that. The motive of profit nowhere spoke louder than in the bad housing. Boarding houses were erected for single girls and tenements for families, but too much of the land was kept vacant by the company's speculative greed. The result was crowding, especially in two communities of plank and turf shacks — the "Patch" and the "Flats" — where the Irish immi-

[1] See Constance McLaughlin Green, *Holyoke, Massachusetts: A Case History of the Industrial Revolution in America.* The student who wants to follow the unfolding of industry in all its aspects cannot do better than read such a careful account as this one.

grants lived in deplorable congestion and dirt. Dr. Green quotes a visitor describing the "Patch" in 1854 without too much exaggeration: "I stopped at one of the shanties to sell some sugar. First, the man and woman came out of the door, then six children came out, then six boarders came out, then a cow came out, and then a sow and ten pigs came out, all from the same door." A Board of Health which had brief existence reported in 1856: "Many families were huddled into low, damp and filthy cellars, and others in attics which were but little if any better, with scarcely a particle of what might be called air to sustain life. And it is only a wonder (to say nothing of health) that life can dwell in such apartments." Sewage was emptied into the canals, which were foul-smelling when flowing and which stank worse when drained to be cleaned of their slime; sewage also drained into the river near the intake pipe for the town's drinking water. In addition to the speculative price set on land, the town was congested because the operatives, working long hours with only a short time to go home for dinner, had to live in the shadow of the tall factories.

Thus, industrialism, looking solely to profit, deposited in one of the most beautiful valleys of America a treeless, forbidding slum. While the death rate was nearly as high in Holyoke as in New York City at its worst — particularly of children in summer, and of all ages from cholera, smallpox, scarlet fever, and consumption — years passed before effective preventive measures were taken. Epidemics were made worse by the ignorance of the poorest people, who refused to be vaccinated. But overcrowding and miserable sanitation were riper causes of disease. Said the Massachusetts Bureau of Statistics of Labor as late as 1875: "Holyoke has more and worse large tenement houses than any manufacturing town of textile fabrics in the state, and built in such a manner that there is very little means of escape in case of fire. . . . Portions of yards are covered with filth and green slime. . . . Our agents visited some tenements having bedrooms into which neither air nor light could penetrate, as there were no windows and no means of ventilation. . . ."

Hours were long. In the early fifties the first morning bell of the Holyoke Mills roused the operatives at 4.40 and they were to be at the machines by 5.10. They had a half-hour for breakfast at 7 in winter, at 6.30 in summer, a half-hour for dinner at 12.30, and stopped work at 6.30, except that in winter the mill closed down at sunset on Saturdays. The Holyoke cotton factories thus worked more than seventy-three hours a week in summer, slightly less in winter. Many hours were lit by oil lamps and, later, gas, which added to the heat. The 1874

Massachusetts law restricting the hours of women and minors to sixty a week reformed the cotton mills, but some of the paper and other mills, using mostly men, kept on with seventy-two hours. Wages in the cotton mills were about the same as at Lowell; as late as 1871 a large mill, with only 53 minors in 1100 workers, reported an average wage of 54 cents a day, or $163.63 per year; these figures would have been higher except for layoffs, but they are significant. It was conditions such as these which went far to justify the retort of southern slaveholders to New England abolitionists that the factory workers were subjected to a harder lot than plantation Negroes.

Wages and hours would have improved earlier except for the large numbers of foreigners, especially women, employed in the Holyoke factories. These were at first Irish, English, and Scotch, but in 1859 the companies began sending agents to Quebec with carryalls and baggage wagons to bring in peasant girls, and the stream continued. The unprotesting immigrants neutralized reform efforts which had been started by the native workers.

The Civil War diversified Holyoke's manufactures, for the cotton mills on coarse goods could run only irregularly from want of raw material, and the company controlling the water power encouraged establishment of paper mills, woolen mills (which had an enormous demand for their product), wire works, and thread factories. Holyoke well illustrates an industrial evolution which has been general. Local enterprise in small-scale production in the early decades of the nineteenth century was improved upon by outside initiative and capital which introduced large-scale and diversified manufacture before the sixties. The next phase was development of absentee finance control, with corresponding growth of class consciousness on the part of labor, and soon thereafter the beginning of regulatory legislation.

Transfer of Woolen Manufacture from Fireside to Factory

The woolen manufacture went through the same stages of progress as the cotton industry. It was not responsible, by itself, for building up so many mill towns. It had a different tariff history from that of cotton textiles, particularly because growers of wool wanted protection, whereas the growers of cotton, an exported product, could hope for none.

The first woolen factory worthy of the name was established at Hartford, Connecticut, in 1788. It soon performed most of the processes mechanically (not weaving); though it was given public encouragement

of several sorts, it did not succeed. The colonial industry had been carried on principally in households, and only the fulling and dyeing of the cloth was done in commercial establishments. Colonial homespun, natural color or dyed, was the chief product, though linsey-woolsey (strong linen warp with the weaker wool filling) was in favor too. The first attempts to transfer the industry to factories were disappointing; good native wool and experienced workers were lacking, and the superior English article was preferred in every American market.

However, by 1830 the American woolen industry was equal in proficiency to that of Europe. The native wool had been improved by introduction of merino and other long-wool breeds; advance in carding machinery had been made by the Scholfield brothers, English wool manufacturers who came here in 1793, and by William Goulding; and mule spinning and the power loom had been promptly adopted. However, American woolen mills complained that the English produced "a glut in our markets, which paralyzes the exertions of our manufacturers." Professor Cole [1] considers that the tariff was less responsible for progress of the industry to 1830 than technical development and industrial organization. By this date the household manufacture in the North, where it had been most important, had begun to decline; it had never been of much consequence in the South; on the western frontiers, cut off from factory products, the home spinning wheel and loom continued to be busy.

As in the case of the cotton manufacture, the market was extended from local to nation-wide dealings through the rise of selling agencies and jobbers who bought from these and sold to the smallest country merchants. Capital for the woolen mills came from fortunes built up in commerce; extensions were financed from earnings. Around 1830, a third of the companies were of the joint-stock form. At first, of course, the only skilled factory workers were foreigners, but natives — men, women, and children — were soon trained to the work. While whole families were solicited by the woolen mills, the proportion of child workers and women was not so high as in the cotton factories. Hours were long as in factory industries generally — sixty-eight or seventy hours a week. Cole quotes the representative reply of a mill-owner before the Congressional Committee on Manufactures in 1828:

> In the Summer we begin to work at about sun-rise, and continue until about sun-set, allowing half an hour for breakfast, and from one hour to

[1] Arthur H. Cole, *The American Wool Manufacture*, pp. 173–74

> one and a half hours for dinner. In the Winter we begin as soon as possible after light, and work until about nine o'clock at night, allowing about half an hour for meals.

Though the machinery did not go at anything like the speed since developed, these exhausting hours left the operatives time and strength for nothing except sleep before returning at dawn to the mill. Wages of men in the thirties were less than a dollar a day, of women half as much, and of children only a few pennies. Pauper children from almshouses were apprenticed in the woolen factories in numbers. Most of the mills paid only partly in cash, the remainder in orders on their stores. Workers lived in company-owned houses. By 1830, the essential features of this industry had appeared, though after that date geographical expansion occurred both in location of factories and in the broadening of markets.

McCormick and the Reaper

Cotton and wheat have been contestants in American history, the one representing the pretensions of the South and Southwest, the other of the Middle West and Northwest. A Yankee, Eli Whitney, with his gin for separating seed from lint, extended the empire of cotton and slavery. A native Southerner and slaveholder, Cyrus McCormick, with his harvester, was a prime factor in opening the grain-growing West, with its attachment to free labor.

Like so many other remarkable men, McCormick was born in 1809. The place was the Valley of Virginia, midway between Staunton and Lexington. On the large and prosperous farm of his father, he early knew the back-breaking toil of cutting wheat and oats with a cradle — simply a scythe with a rack fitted above the blade to catch the stalks. There was always the acute problem of getting enough workers to save the crop in the week or ten days when it must be cut. One cradler, with five or six shockers and binders, could harvest about two acres of wheat — never more than three acres — in the scorching day from sun to sun, even when jugs of whiskey were set about the field to speed workers down the swath.

For centuries men had tried in vain to devise mechanical substitutes for this toilsome hand labor.[1] As we are now able to analyze the necessary features of a successful grain-harvesting machine, they consist of a

[1] See William T. Hutchinson, *Cyrus Hall McCormick*, vol. I, pp. 55 ff. This is the fullest life of the inventor, and is the source of what is here written.

motive power which pulls rather than pushes; "side draft" (where animals are used) so standing grain will not be trampled; a divider that runs out in the grain and separates a portion to be cut; a horizontal vibrating knife; on the knife-bar are fingers which project ahead of the blade into the grain and hold the stalks to be cut, just as a barber encloses hair within two fingers before snipping with the shears; a reel of slats revolving above the blade to pull the grain to the cut and lay the severed stalks straight on the platform from which it is taken to be bound; and a large wheel with lugs which transmits power to the machine. Before the time of McCormick inventors had combined several of these features, but omitted others. Two-wheeled carts were rigged with sickles, scythes, and scissors flashing fearsomely.

When Cyrus was only seven, his father, Robert McCormick, who showed mechanical ingenuity in many directions, tried his hand at making a harvesting machine, and in 1831, the year of Cyrus's invention, made another. Neither was successful except in drawing the son's attention to the project. Robert seems to have assisted Cyrus, in the farm blacksmith shop, to make a machine on the boy's own principles. It cut six acres of wheat on the McCormick farm and gave an historic demonstration in the oats of a neighboring farm, in July, 1831. Improvements soon made in the machine enabled it to do all the harvesting on the home place, and some for others, at ten or twelve acres a day, more than three times the speed of the best cradler.

The McCormick reaper was patented in 1834. Of many other machines made at about the same time, that of Obed Hussey offered the strongest challenge to McCormick's invention. Hussey was a fighting Quaker, with a black patch over a blind eye which made the other seem more piercing. Born in Maine in 1792, he went in childhood to Nantucket Island and thence naturally to sea. How he got from whales to wheat is not known. While making his reapers in a barn at Hagerstown, Maryland, in 1836, he said, "I could not go to meeting for many weeks for want of a *decent coat*, while for economy I . . . ate, slept in my shop. . . ." Hussey did not make his first reaper until two years after McCormick's, but it was patented six months ahead of the Virginian's, and was in use in a number of states before McCormick had given more than local demonstrations. In his unequal contest with McCormick, Hussey asked no pity, but merits it, for his machine, while not as efficient as that of his rival, was thoroughly workable. He never had McCormick's flair for advertising, and made the mistake of locating his little factory in Baltimore at the time when grain-growing was moving to the West.

Reaper Moved to Chicago, the Grain-Belt Center

The depression beginning in 1837 having borne hard upon the eastern farmer, McCormick in 1843 turned most of his attention to the Mississippi Valley, sublet to various machine shops the right to make his reaper, sold territory to agents, and in 1847 formed a partnership to build a factory in Chicago. This was a fortunate decision. He could not guarantee his reapers unless they were made in his own plant. Chicago, with less than twenty thousand people at the time, was on the threshold of development as the grain-belt emporium, thanks to immigration to the prairies, the digging of canals, and the building of railroads centering at that place. Limitless quantities of grain could be grown on the rich, level, open lands at half the cost on the small, uneven, and often depleted seaboard fields. Britain had repealed her Corn Laws. Soon came the Irish famine. But labor for harvesting was high and hard to get. The German immigrants and others had no need to work out when land was so easily obtained.

Here was a situation inviting the use of a reaper to top off the other improved agricultural machinery. The reaper was a necessary complement of the railroad in this region. There was no use in growing grain on a scale far beyond local wants unless it could be harvested and transported. McCormick, though drawing in the mechanical and business skill of his brothers, kept control in his own hands, while he expanded his factory, improved his product, possessed himself of the bulk of the American market, and invaded foreign fields to become one of the country's first millionaires. He was a chief builder of the West, and gave impetus and direction to American economic life.

Between 1840 and 1850, the American wheat crop increased by half. Reliance was almost wholly on hand-harvesting. Only a few thousand reapers were being turned out by all manufacturers together. Farmers had little ready cash, grain-growing was speculative because of weather, wars, and paper money. Delivery of heavy, awkward machines in remote places was expensive and uncertain. Farmers were conservative and had to be educated to the use of any new mechanical equipment. Added to all was intense rivalry between manufacturers and their traveling agents, made fiercer by bids for the favor of powerful editors of agricultural papers. Problems of salesmanship, credit, and repairs were solved in ways which made them a part of American farm history. And the export of American agricultural machinery was forecast when McCormick's reaper won the most coveted prize in its class at the London Exposition in 1851.

When one goes today through prairies and plains, he everywhere sees machines at work, no longer drawn by horses but by tractors. At every town are dealers' lots filled with new equipment, shiny red, yellow, and green, and beginning to be streamlined. The application of mechanical power in agriculture has brought one of the most perplexing problems of our day, international as well as national. The farm surplus and failure of farm purchasing power, the drift of population from farm to factory, the clash between protected industries and agricultural staples bewildered for markets, all go back in good measure to the decade of the fifties when reaper and mower began to invest the Mississippi Valley.

Morse's Telegraph

Industry on a large scale could not develop unless the country was knit together by means of rapid transportation and communication. The steam railroad had just got well started when it was powerfully supplemented by the telegraph. It is hard to exaggerate the revolutionary importance of the invention of Samuel F. B. Morse (1791–1872). After graduating from Yale College, Morse studied painting in England. Returning to Boston, he opened a studio where he was ambitious "to be among those who shall revive the splendor of the fifteenth century." But he was to promote a different renaissance, for his excellent portraits (including two of Lafayette when the old General last visited the United States in 1825) brought him little money, and his attention was distracted to electricity. On a voyage from Europe in 1832 a fellow passenger showed him some electrical apparatus, which prompted Morse to remark, "If the presence of electricity can be made visible in any part of the circuit, I see no reason why intelligence may not be transmitted instantaneously. . . ." He spent the rest of the trip in sketching plans for an electro-magnetic recording telegraph. This provided for a sending apparatus to transmit signals by the closing and opening of an electric circuit, a receiving apparatus to record the signals as dots and spaces on a strip of paper moved by clockwork, and a code translating the dots and spaces into numbers and letters. He soon added a sounding device, and the dash to amplify his code.

Five years before, Morse had heard an explanation of William Sturgeon's electro-magnet, but he knew nothing of European experiments with the telegraph. He turned for help to Joseph Henry, the physicist, afterward head of the Smithsonian Institution, and by some regarded as the true inventor of the telegraph. Morse's telegraph was patented

in the United States in 1837, but he was refused patents in England and France. There followed for him seven lean and literally hungry years. Then prospects brightened. Congress, after much importuning, voted thirty thousand dollars for an experimental telegraph line between Washington and Baltimore, and on May 24, 1844, Morse sent, from the Supreme Court room in the Capitol to his partner, Vail, in Baltimore the salutation, "What hath God wrought." The strip of paper with its dots, spaces, and dashes is preserved in the Library of Congress. Morse was strangely unaware of the wide possibilities before his now proved invention, supposing that it would have only a limited use for official messages, and offered it to the government for one hundred thousand dollars but the Postmaster-General thought it would not pay and turned down the offer. Others, however, were not so obtuse, and Morse before long was prosperous. For a time he was electrician for Cyrus W. Field's company which was later successful (1866) in laying the first permanent transatlantic cable. Morse's father, the Reverend Jedidiah Morse, was called the first American geographer, his original work having appeared in 1784. The son's invention was destined to shrink the world which the father had pictured by a device which might circle the globe in an instant.

All these practical advancements not only gave rise to new problems, but brought a spirit of social advancement in their wake. We turn now from the scene of business and mechanical progress to witness workers' and reformers' protests against the social ills of the time.

Workers Wanted Shorter Hours and Schools

Scattered and sporadic activities were followed in the late twenties and early thirties by the practical beginnings, in both economic and political fields, of the organized labor movement in the United States. Improved transportation by canal and turnpike extended markets and increased the number of factories, all of which served to mark off the merchant capitalist from the small producer and mere master workman and to make more remote the possibility that the journeyman would become a self-employer. Workers in the fast-growing cities were thrown into contact with each other. It was a period of reform proposals and experiments, typified in Robert Owen and his followers, and in the propaganda for abolition of slavery. Manhood suffrage had been established in most states and was on its way in others. The country had not much more than recovered from the trade depression of 1819 when,

in the late twenties, ensued another; slack business, with consequent unemployment, has always emphasized standing grievances and called out plans for remedy.

The workers' discontents were genuine. Habitual hours of labor, in other occupations as well as agriculture, were "from sun to sun." Strikes for the ten-hour day, which touched off the flare-up of labor in this period, were met by employers with moralizing about "the good old rule of our fathers" and with prediction that "to be idle several of the most useful hours of the morning and evening will surely lead to intemperance and ruin." But the workers reiterated that the long day led to physical and mental exhaustion. They wanted some leisure for family life and a citizen's participation in affairs of the community.

But even if they got shorter hours, workers could not be intelligent voters unless there were public schools. Those existing, except in New England, had the stigma of charity. Parents who were able sent their children to private schools, and the poor often kept their youngsters at home rather than take the pauper's oath, or put them in factories to earn cash instead of in classes where little was taught beyond the shorter catechism. New York City had 24,000 illiterate children in 1820, and almost two decades later in Pennsylvania 250,000 out of 400,000 children went to no school.

Compulsory militia service, with jail sentences for those who could not pay the heavy fines for failure to attend drills, burdened workers disproportionately. Imprisonment for debt was an abuse acknowledged by others than the poor. Labor was resentful of depreciated bank currency which diminished real wages, and complained of chartered companies with monopoly privileges.

These inequalities suffered by the workers accumulated in protests against division of society into rich and poor. "There appears to exist," said a group of organized workers in Philadelphia, "two distinct classes . . . the oppressor and the oppressed; those that live by their own labor, and they that live by the labor of others; the aristocratic, and the democratic; the despotic, and republican. . . ." This was in line with Andrew Jackson's politics; it was hostility of the have-nots toward the haves; it was not as yet a defined enmity of employees for employers. The organizations of workers in this period frequently welcomed small employers into their ranks, for the division between capital and labor was still blurred.

The upsurge of unionism in the late twenties and early thirties, particularly expressing itself in political action and efforts at remedial legis-

lation, had three centers — Philadelphia, New York City, and New England. In Philadelphia a partially successful strike of carpenters and other building artisans for the ten-hour day led, in 1827, to the world's first union of organized workers in any city, the Mechanics' Union of Trade Associations. Today we would call this a "city central body." This combination lasted only two years, but came to embrace fifteen unions. It promptly went into politics to destroy the inequalities which the Constitution was intended to protect against. Said the workers, "We are fast approaching those extremes of wealth and extravagance on the one hand, and ignorance, poverty, and wretchedness on the other, which will eventually terminate in those unnatural and oppressive distinctions which exist in the corrupt governments of the Old World."

Consequently, a Working Men's Party, the outgrowth of the Mechanics' Union of Trade Associations, in the summer of 1828 held rallies in different parts of Philadelphia and the county. From the beginning, the old parties, Democratic and Federalist, took advantage of the political inexperience of the workers to attach their support, or, failing this, to divide the strength of the rising movement. In spite of this, the Working Men's Party increased in force in elections in 1828 and 1829, in the latter year securing the balance of power between the majority groups. However, the only candidates whom the workers could elect were on the tickets of the old parties as well as their own. The *Mechanics' Free Press* was a necessary instrument in this political effort, and spread the movement to other towns and counties in Pennsylvania. The party had become important enough to call out vehement attacks on the "Workies," who were said by the papers of the old parties to advocate "leveling" policies and to cherish infidelity. The result of hindrances was that the Working Men's Party in Pennsylvania, though it had gone so far as to make nominations for Congress, lost force in 1830 and 1831, and in 1832, in the overweening absorption in the presidential contest, it disappeared.

But the party platforms had done much to popularize demands for control of monopolies and paper money; abolition of the militia system, imprisonment for debt, and lotteries; and provision of mechanics'-lien laws and public schools. Chief emphasis was on education, not only literary, but mechanical, agricultural, and scientific; there should be what were later called kindergartens; the schools should fit pupils for earning and for the duties of citizenship. These proposals, then novel in America and still up-to-date, had been imported by Robert Dale Owen.

Extension of Workers' Political Efforts

The Working Men's Party in New York took its start in 1829 in meetings of mechanics to defend the ten-hour day. From the first the movement was helped and hurt by leaders with pronounced and divergent plans for social reform; it was weakened by internal dissension more than by outside interference. It early came under the influence of Thomas Skidmore, a worker-philosopher with the panacea of equal division of all property but especially of landownership. Skidmore was soon repudiated, however, and became the leader of a seceding faction. The remaining membership as promptly split over proposals on the all-important subject of education. Robert Dale Owen and Frances Wright urged a "state guardianship" system of public schools, all children to be fed, clothed, and housed at public expense in institutions for vocational as well as academic instruction. The opposing group was as insistent upon public schools, but was content to have them conducted, not as boarding schools, but simply for day pupils, the children remaining under control of their parents. So there were three bodies calling themselves "Working Men's Party." Early showing of political strength stirred the fears of the old parties. Every opprobrious name was applied to them — "Dirty Shirt Party," "ring-streaked and speckled rabble," and the like. Despite attacks, workers, including farmers, combined for political action in parts of New York; the labor press was vocal, and a state convention was held at Syracuse in 1830. Its candidates for governor and lieutenant-governor, however, turned out to be only mildly dissenting Tammany men, and even so rejected the support of the workers. There were local successes, but in later elections the workers gave their votes more and more to candidates of the old parties, and the movement had disintegrated entirely by 1832. Specific demands had been much the same in Pennsylvania.

Workers in this period were stirred to political activity all over the country, north, south, and west, and some fifty newspapers in some fashion endorsed their objects. Candidates were sometimes elected to legislatures, city councils, and more to minor offices Greatest unity between local groups was achieved in the "New England Association of Farmers, Mechanics, and other Working Men," formed at Providence in 1831 and continuing for three years before it fell apart. It was intended to be an all-inclusive union (perhaps deserving the name of the first industrial union in the world), with the ten-hour day, then unknown in New England, as its first objective. Here efforts were made to em-

brace the large contingent of factory workers, though with little success. The association soon adopted political rather than direct economic methods, candidates being put forward, though with slight result, in state campaigns in 1833 and 1834. Workers' memorials gave the darker side of conditions in the textile factories, and pleaded particularly for limitations on child labor; better public schools were demanded, though New England was superior to the rest of the country in this respect.

Practically all of the reforms to which the working men's parties of this period gave original impetus were later adopted. What had seemed radical at first blush became merely progressive, and later only decent. Public schools were the greatest gain for which we must thank the pioneering of the workers' parties. A system was adopted in Pennsylvania in 1834, in New York City in 1842, and New York State in 1849; the insistence on vocational training was a special contribution to public educational practice, a few such schools being promptly established. Imprisonment for debt began to be abolished while the workers' parties still functioned, and before long was done away with everywhere. Mechanics'-lien laws, giving workers first rights in assets, such as buildings which they have helped to construct, were established in one law after another. The harsher features of the militia system were reformed. The protests against child labor evoked legislative investigations and the beginning of limiting statutes, but decades were to elapse before many states passed laws, and more than a century before the federal government took effective action. Francis Place, the English reformer, had succeeded in getting Parliament to legalize trade unions in 1824, and on the heels of this achievement, American workers' parties had demanded that unions here be freed from the charge that they were conspiracies under the common law. Until the recent National Labor Relations Act was passed, unions from time to time were treated by the courts as conspiracies in restraint of trade, but illegality of their mere existence was much earlier set aside. Lotteries have been abolished, prison labor has been regulated. And so we might lengthen the list. "The Working Men's Party . . . was a distinct factor in pushing forward measures which even conservative people now recognise to have been in the line of progress toward real democracy." [1]

Utopian Communities

In the quarter-century 1825 to 1850, the country was discovering and developing its resources, expanding its population and area, applying

[1] John R. Commons and associates, *History of Labor in the United States*, vol. 1, p. 332.

new means of extracting, converting, transporting, and exchanging wealth. This economic progress involved political controversies over internal improvements, protective tariff, banking, and occupation of the national domain. In the same period, there was discussion on another plane of social organization and ideals. Much of these polemics lies outside the bounds of this volume, belonging rather to our religious and intellectual history. But we may notice the utopian social experiments which marked this era of cultural ferment.

It was a time when men and women, in Europe and here, asked "Why?" and "What to do about it?" to a degree hardly known before or for long afterward. The exciting cause was the Industrial Revolution coming on the heels of the French Revolution. James Watt had opened the way for realization of Rousseau's speculations. Potential material abundance had been added to equalitarian ideas. But concern for the individual was being ignored or denied in the speeding of production of goods and in the mores with which the new industrial development was surrounding itself. There was want where there might be plenty, degradation where there might be dignity, frustration and suffering where a more general happiness seemed within grasp. Thus, the theory of society came in for analysis and exposition. Mind versus matter, the humanitarian impulse rebelling against tradition, spiritual salvation by faith or by works, the place of women in society and its laws, the usefulness or tyranny of the institution of private property in land and the machinery of production were explored and voiced in new "isms."

These inquiries and propagandas may be seen in the utopian communities which sprang up in America in the twenties and again in the forties. These were not the first attempts in this country at tiny model societies. Followers of Jean Labadie had settled on Bohemia Manor, in Maryland, in the seventeenth century. Soon after came the young Kelpius, leading his band of forty German pietists to the deep woods along Wissahickon Creek, to a spot now probably in the limits of Fairmount Park, Philadelphia.[1] Other Germans, under Conrad Beissel, in 1720 came to join Kelpius, but finding him dead and his colony dispersed, they moved westward and established Ephrata, between Lancaster and Reading, Pennsylvania. Under successive leaders or "superintendents" the community retained more or less of its original character longer than any other, had profound influence on other German colonies in that region, and sent offshoots to places as distant as South

[1] Graves of some of these "Monks of the Wissahickon," marked by rough headstones, are in Germantown, in a plot set aside by Dr. Christopher Witt, the last of the sect.

Carolina.[1] Ann Lee, an English woman of humblest origin, came to America in 1774, and soon was able to carry out her aim of establishing, at Watervliet, near Albany, New York, the first of a number of colonies of Shakers. They were so known because of their religious exercises, literally taken — they worked themselves into convulsive frenzies. On the economic side, they shared all they had and acquired. George Rapp, a magnetic preacher in Württemburg, preceded a band of six hundred to a site near Pittsburgh in 1805. After a decade of prosperity here, they moved to a new location on the Wabash River, which they called Harmony, and ten years later sold their substantial town and rich estate of thirty thousand acres to Robert Owen for $150,000, returning then to Pennsylvania.

In these communities the holding of property in common, the sharing of work on an equal basis, and the group living quarters were secondary to religion. Their members believed in and practiced the suppression of self. They best assured simplicity and banishment of distinctions of goods and enjoyments through primitive communism.

Robert Owen Arrives in America

Our story really opens with the arrival in America of Robert Owen in 1824. He was fifty-three at the time and the world's foremost social reformer. Besides bettering the conditions of work and living of the operatives in his own great cotton factories at New Lanark, Scotland, he had advocated protective labor legislation for the whole of Britain. He had developed an economic philosophy which he wanted to apply in a community devoted to his remedies for unemployment, poverty, vice, and ignorance. His leading premise was that "man's character is made for him, not by him. . . . Mental, moral, and physical, [it] is the result . . . of the circumstances within which he exists." This looked directly away from the soul-searching and spiritual flagellation which in different degrees had been the religious reformer's mode of bringing about a moral world. Owen was the supreme extravert in his enthusiastic generosity, in his untiring insistence upon the necessity of producing individual and social morality by reorganizing economic and cultural environment.

Owen completed the purchase of the Rappists' property and in addresses before Congress, lectures, and proclamations he advertised his

[1] The "cloisters" in Ephrata, the few remaining buildings of this semi-monastic group, are on the old German model, high and with steeply pitched roofs.

invitation "to the industrious and well-disposed of all nations" to join him on the Wabash. Many of the nine hundred who turned up at New Harmony by October, 1825, were persons of talent, intelligence, and self-control who strove to make the grand experiment succeed, but many others were dishonest, incompetent, or lazy. Soon after giving the people a constitution (the first of several) and forming them into a "Preliminary Society," Owen returned to Europe for six months. His absence from the scene, almost at the outset, gave opportunity for discord in the variegated band. His attempts to overcome this were inept, and, coupled with his retention of ownership of the property, seemed to many dictatorial. His purse was open for every object of the community — farms, industries, school, recreations — and he tried to prepare the co-operators to take full charge of their own affairs.

But the people insisted on an early end to tutelage. Equality of responsibility, opportunity, and possessions was the aim, but many grumbled at this leveling. Owen believed that a rational social order would produce good characters, but meantime he had to work with imperfect ones, and found for himself that Adam sinned in the Garden of Eden. Criticism outside was echoed within. Owen had declared himself against organized religion, and against the institution of marriage, which was founded on and perpetuated private property. "Atheism" and "free love" were charges hard to overcome in proportion as they were uttered and repeated by persons who did not care to understand Owen's social and moral purposes.

After two and a half years Owen gave up the experiment as a failure. He sold most of the property for a song to different groups of his erstwhile followers who wanted to swarm to themselves, and gave the remainder to his sons, who had come to New Harmony. Communism did not long prevail among those he left behind. The immediate result of the fiasco was to discredit co-operative proposals, and much besides that Owen stood for. Under a few leaders the pendulum swung to the other extreme of anarchism, as in the village called "Modern Times" founded on Long Island on the principle of "individual sovereignty," where all but the most elemental social organization was cried down. But seed which Owen sowed was to sprout two decades later in a larger number of experiments. A chief legacy of Owen to this country was his talented children, all of whom remained here. Much the most influential, in application of his father's social doctrines, was Robert Dale Owen. With colleagues of New Harmony inspiration and others, he was for forty years — in the Indiana Legislature, Congress, and as a

publicist — the advocate of public education, labor participation in politics, Negro emancipation, and rights of women. His chief co-worker was Frances Wright, one of the ablest of those schooled at New Harmony, an early and effective feminist, and a counteractive to the religious revivals then rampant. These she regarded as binding society in the toils of ignorance and tradition, when the need was for a rational material improvement in the conditions under which America lived. Such disciples justified what has been called "the success of Owen's failure." Robert Owen was unable to put a purple patch on America's garment, but others, inspired by him, by means of statutes and education, wove into the web certain threads of tolerance, compassion, and opportunity.

Flower of New England

The second period of little utopias opened with Brook Farm, which has lived in American history because so many connected with it were writing men and women. It was a Boston product, located a few miles from the city in West Roxbury. It sprang from a small group of congenial literary and professional people — we might almost say personages — who met from time to time at one another's houses. They came to be called the "Transcendental Club," which meant, Emerson said, that they were idealists. In 1840, William Ellery Channing, a Unitarian clergyman, interested in social reconstruction rather than in spiritual revival as then understood by the orthodox, proposed to George Ripley, a fellow Unitarian of the Transcendental group, the question whether "it were possible to bring cultivated, thoughtful people together, and make a society that deserved the name." In the same year, though the connection is uncertain, appeared Albert Brisbane's *Social Destiny of Man*, an interpretation of the thought and prescriptions of the French utopian, Charles Fourier, with whom Brisbane had studied the system. Ripley, thus approached, resigned his pulpit, bought the farm of two hundred acres, went there with his wife and a dozen others desiring "a more wholesome and simple life than can be led amidst the pressure of our competitive institutions."

In the autumn of 1841 was formed the "Brook Farm Institute of Agriculture and Education." In its legal character this was a joint-stock company, with less capital paid in than was obtained by multiple mortgages on the land. Celebrated people were either resident members, subscribers, or frequent visitors to the community, including

Margaret Fuller, Nathaniel Hawthorne, Henry Thoreau, Elizabeth Peabody, Bronson Alcott, Charles A. Dana, and Theodore Parker. Ripley was the heart and soul of the undertaking, the money-finder, the planner, and the silent doer of daily disagreeable tasks. The community did not believe in abolition of private property; those who took stock were to receive interest at a fixed rate. All who became residents worked the same hours for the same low compensation. Children were educated and cared for free by the group, as were the old and the sick. Unlike Owen's New Harmony, this was a native Yankee venture, deeply religious, and flinging no anathemas at popularly accepted institutions of society.

About 1844, when it had been more than two years in existence, Brook Farm became the best known "phalanx" fashioned to the Fourier blueprint. The Brook Farmers had been converted by Brisbane's eloquence, which was supported by the prestige of Horace Greeley of the *New York Tribune*, the most influential editor of the day. Brisbane succeeded in forming twoscore phalanxes, of which Brook Farm was perhaps the best known. The enthusiasm for co-operative communities at this time owed much to the prevailing depression, which made work and wages insecure and disillusioned men from private acquisitiveness. It was influenced, too, by the humanitarianism of the anti-slavery movement. Fourier's phalanx, or social cell, derived in good part from Owen, but was more regimented. These practices of "Association," as it was called, were more congenial to the mechanics and farmers, who now came to Brook Farm in larger numbers, than to the intellectuals who had founded it. After the large phalanx building, which was to be living quarters for the increased population, burned on the eve of completion, first members began to withdraw, others followed, and in a few months the place was deserted. The last of its succession of magazines lingered, but the wave of enthusiasm elsewhere for social experimentation had passed over; business prosperity had returned. The land had not been good for tillage, few of the residents were fitted for farm work, and their handicrafts did not flourish in competition with ever more popular machine products.

Fourierists and Cabet

The North American Phalanx, a better test of Fourierist principles but with less sparkle than Brook Farm, existed near Red Bank, Monmouth County, New Jersey (forty miles south of New York), from 1843

to 1854. It had an average of about a hundred members. Higher wages were paid for work more disagreeable or exhausting, or requiring special talent. At an average wage of about ninety cents per day, plus a share in the profits, members were able to make savings, so economical were the living costs, but many chose to invest outside the community, which weakened it. Indeed, the community as such had outside investments. Membership did not grow as hoped, so that twenty farm hands were hired. The Phalanx, both stockholders and residents, prospered. The community was conventional in matters of marriage and religion. If anything, the members worked too hard on the large farm and in the mill and shops, neglecting recreation and education. It was a dull place. Its ideals progressively relaxed. Brook Farm went too far in the other direction, having more scholars and schemers than capable workers. One object the North American kept steadily in view, the equal treatment of women with men. One evidence of this, unfailingly remarked by visitors, was a "female costume" which we should now say consisted of slacks and smock. Shortly before the end the gristmill and adjacent shops were burned. Horace Greeley seems to have offered a loan for rebuilding, but the loss, coming on top of a split and withdrawal of many members to another location, ended in sale of the property at some loss to stockholders.

In 1848, when Brook Farmers had dispersed and the North American Phalanx was in mid-career, Etienne Cabet, author of the utopian romance *Voyage en Icarie*, sent to New Orleans the first shipload of those inspired by his dreams of a new moral world. Deep in the lowlands of Louisiana, they rued the day they had left their native France, nor did a second contingent mend matters. Cabet met them when they had made their way back to New Orleans, and, advised by Robert Owen, who influenced all his plans, he made a new start in Texas, but only to meet failure again. Later colonies on his design went to Nauvoo, Illinois, which the Mormons had built before their more westward trek, and elsewhere; the last community did not disappear until a half-century after the first unhappy attempts.

In all, there have been at least two hundred co-operative communities in this country. Those which lasted longest put main stress, not on economic arrangements, but on religious aims and habits. Most of the colonies, but with notable exceptions, had their plans from European utopians, and these fitted the American environment — which seemed so pristine as to offer opportunity for experiment — either imperfectly or badly. Most of the communities were based on agriculture, pecul-

iarly subject to hazards which defeat foresight. Many, seeking cheap land and privacy, went to remote places, away from convenient transportation, or even on the frontier. This had unfortunate results. It made them more primitive than they were inclined to be. Isolation prevented any but the crudest forms of manufacture, and co-operation, if it was to have influence on the development of American life, had to give demonstrations in industry. The communities reckoned without the machine, which could have been their great ally. Some died of insufficient capital at the start, and consequent poverty. Others, such as the well-known Oneida Community, increasing in wealth, could as little endure prosperity, and dissolved into money-making enterprise, abandoning their co-operative features. Numbers of those with the hardihood to start experiments had other objections to conventional society besides the economic ones. In particular the views on sex and religion produced hostility from without and discord within. The failure of these undertakings was especially dwelt upon because they were critical of traditional institutions.

The utopians, however noble, were not realistic. They thought that social truth, revealed to their leading minds, was absolute and permanent. In the fashion of the religious revivals, which were a pronounced feature of American life at the time, they felt that men should be brought to see the light. If we might learn anything from these early co-operative institutions, it would seem that the way to beneficial changes is within the whole society, by adaptation in accordance with an elastic plan.

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Chapter 20

Occupation of the West

AS SOON AS "UPPER LOUISIANA" was formally ceded to the United States in the spring of 1804, Captains Meriwether Lewis and William Clark set out with their expedition, sent by President Jefferson, to explore the new territory. Having gone through the headwaters of the Missouri and overland to the Columbia River and the Pacific, as they were returning to St. Louis in the autumn of 1806, they met a party of fur trappers and traders making for these newly threaded wilds. The greeting exchanged was historic. It practically marked the opening of the fur trade of the Northwest. That same year Lieutenant Zebulon Pike went across the prairies of Missouri and Kansas till he came to the mountain wall which rises abruptly from the Colorado plain to a height of nearly three miles. Pike then followed southward to the Spanish possessions of which Santa Fe was the capital. When he returned in 1807, the whole country which was the arena of the fur trade had thus begun to be known and invited exploitation. From this time the business flourished until immigration began in 1843. The active lifetime of individual trappers and guides, such as Kit Carson and Jim Bridger, witnessed the development and decline of this important enterprise.

Our participation in the fur trade of the Pacific shores from Alaska to South America had begun earlier, following the visit of the Englishman, Captain James Cook, to the northwest coast. Cook's voyage was made known in 1784, and three years later Captain Robert Grey, in the *Lady Washington*, and Captain John Kendrick, in the *Columbia*, sent by Boston merchants, began to take pelts of the fur seal and sea otter from the Pacific shores for sale in China. The New England skippers soon came to dominate the trade through satisfactory arrangements made with the Russian-American Fur Company, which in 1799 had obtained a monopoly of Russian interests from Bering Strait down to what is now Oregon. The Yankees gave to the coast Indians cloth, tools, or trinkets, all of the most trifling value, for furs which brought around forty dollars each in Canton, in addition to which hunting parties from the ships slew the

animals in reckless numbers. However, this is a part of the history of the Pacific coast and of American maritime adventure, rather than of the fur trade proper, which was carried on in the interior.

St. Louis, near which the Missouri empties into the Mississippi, became the headquarters of the fur trade. Parties were outfitted here with equipment and trade goods, and here the furs brought back were sold to be transported, mostly to Europe, by way of the Great Lakes and the Mississippi. St. Louis had a population at the opening of the period of about one thousand — French, Spanish, American whites and Negroes — and its life already depended to a considerable extent on gathering furs from within a small radius westward. The Oregon and Santa Fe Trails started at a point farther west on the Missouri River (now Kansas City), but many of the travelers and most of the goods bound for those overland routes came to St. Louis on the way.

The hunters and trappers who roamed the great plateaus or followed the mountain streams into the fastnesses worked either for companies as *engagés*, or operated each for himself, the so-called "freemen." The former were paid maybe four hundred dollars a year, all or most of it in outfit, tobacco, and whiskey, the value of the goods being calculated at exorbitant figures. Camp keepers, skinners, *voyageurs* who poled the long keelboats up the oozy Missouri, and pack-train drivers received half as much or less. Nor did the freemen, though they limited themselves to taking the finer pelts, have more remaining as reward for their loneliness, hardship, and peril. A week at a trading post or back at St. Louis saw it all dissipated. Beaver and buffalo were most hunted, but other skins were otter, coon, fox, muskrat, and bear. Most of the furs, whether procured by companies or individuals, were traded for with the Indians. The blankets, bright-colored cloths, braid, and so on, traded with the Indians were English imports, and by the time they reached a rendezvous or one of the numerous trading posts of the Northwest were valued at four times what they had cost on the Atlantic seaboard.[1] The price was further raised six to ten or more times when the goods were passed on to trappers or tribes. In the case of whiskey, or rather alcohol (brought in pure, to save bulk, and then generously and

[1] We are given the prices of all sorts of goods transferred from one firm to another, presumably with no element of cheating, near Great Salt Lake in 1826. They include gunpowder, $1.50 per pound; lead, $1 per pound; blankets, $7 to $11 each; scarlet cloth, $6 per yard, and blue $4 to $5; beaver traps, $9 each; sugar, $1 per pound and coffee $1.25; finger rings, $5 per gross; beads, $2.50 per pound; "fourth proof rum reduced," $13.50 per gallon; horseshoes and nails, $2.50 per pound; looking glasses, 50 cents each; tobacco from $1.25 to $1.75 per pound; tin pans, $2 per pound.

variously diluted), frauds were redoubled. The Indians were debauched and swindled, and it is not surprising if they distrusted all whites, supposing them like these rogues. It was always against the law to sell whiskey to Indians, and they could not get it at the government trading posts, maintained until 1822. But wholesale smuggling and the closing of official eyes supplied in the remotest mountains and valleys plenty of an article which came to be indispensable in the fur trade. The Hudson's Bay Company, which in its long history from 1670 interdicted the use of whiskey within its exclusive domain, let it flow freely along the border where the company was competing with American traders.

If the United States government had taken the monopoly of the fur trade, or had given it to a single regulated company, the result might have been happier. Most of the injustice and cruelty practiced upon the Indians would have been avoided, together with the raids and murders which were the Indians' answer, and ruthless destruction of game such as wiped out buffalo and beaver. As it was, competition first succeeded in getting the government posts disestablished and then continued unimpeded in its demoralizing career. The extraordinary fortitude, endurance, and ingenuity of the men who did the actual work were in contrast to the private greed and public injury to which they contributed.

The hunters and trappers were mounted, with one or more packhorses to carry the outfit, and roamed from place to place, sleeping under the sky, except in winter in a severe climate, when they built log huts. Most of these plainsmen and mountaineers liked the solitary, hazardous life, some choosing it in preference to risk of arrest and imprisonment for their misdeeds in the settlements. There were never at one time more than a few hundred men engaged in the business. The fact that they generally used the same tracks and trading points accounts for the common acquaintance of those engaged in trapping and trading in spite of the limitless expanse over which they scattered.

Misfortunes of Astoria

The most ambitious and best known single enterprise was John Jacob Astor's American Fur Company, chartered by New York in 1808 and launched two years later. Astor was born in the village of Waldorf, Germany (hence "Waldorf-Astoria," if you remember). In youth he joined a brother in making musical instruments in London, then emigrated to this country in 1784. Icebound in the Chesapeake, he profited

by the advice of a fellow passenger to exchange his fiddles for furs and sell the latter in London. Soon Astor was one of the great fur merchants of the world, and, as became this position, formed his plans on a grand scale. Our government tacitly approved of his project of a station near the mouth of the Columbia River in territory to which we, Great Britain, and Russia all laid claim. Furs collected in the hinterland of this fort were sent to China in the annual ship that brought out supplies, and the vessel brought back Chinese goods to New York. Astor tried unsuccessfully to get the Northwest Company (British), operating from Montreal, to join in the venture, but did succeed in establishing reciprocal relations with the Russians farther up the coast. In September, 1810, the *Tonquin* sailed from New York around the Horn for Oregon, selected a site a dozen miles up the Columbia River, and landed supplies and men soon housed in a large log fort. Another party had started overland by the route of Lewis and Clark of five years before. This expedition did not reach Astoria, as the station was named, until the *Tonquin* had met a dramatic fate worthy of the pen of Washington Irving.[1] On her first trading voyage Indians murdered most of her crew, the few remaining men abandoning ship, all except one who was wounded and refused to go. When the Indians swarmed back on the deck a couple of days later, this man, despairing of his own life, took a swift and complete vengeance on the savages by lighting the powder magazine and blowing the ship to bits.

The *Beaver*, a small schooner constructed of materials brought out on the *Tonquin*, collected and took to Canton furs which, traded for Chinese goods, would have netted the company a quarter of a million dollars profit in New York. But in Canton the captain learned that war had broken out between the United States and Britain, and he simply waited for it to end. From now on the decline of the enterprise was swift. The Northwest Company had established a post near-by to dispute the Astorians' possession, trade goods left in caches (carefully concealed pits) in the interior were discovered and stolen by Indians. What would happen if British men-of-war arrived to shell the log fort? The result was that Astoria with its outlying stations was sold to the Northwest Company for a fraction of the true value, and the United States lost a foothold on the northern Pacific which might have given her, later, possession of British Columbia.

The Missouri Fur Company was a name applied to successive sets of St. Louis enterprisers beginning with an association formed under the

[1] See his *Astoria.*

leadership of Manuel Lisa in 1808–09. Lisa was born of Spanish parents in New Orleans, came to St. Louis at an early age, was deep in the fur trade by 1800, and was the most vigorous and resourceful of all engaged in the business at that center. Much of the history of the West is lost when we have to pass in a word over Lisa's plans, his dozen round trips by arduous poleboat to the headwaters of the Missouri, his successes in making friends of the Indians. The company continued for a quarter of a century, operating much in the valley of the Yellowstone.

The Rocky Mountain Fur Company was another. Under different partners it carried on a dozen years after 1822. William H. Ashley, a Virginian who had prospered in St. Louis, and Andrew Henry, a Pennsylvanian who had been his partner in lead mining, began the venture by advertising for one hundred "enterprising young men . . . to ascend the Missouri River to its source, there to be employed for one, two or three years." A remarkable company responded for this trapping expedition, among them the celebrated Westerners Jedediah Smith, William L. Sublette, and James Bridger. These and others, when Ashley withdrew with a fortune to go into politics, succeeded to ownership and command. The company, under various partners, took to St. Louis half a million dollars worth of furs, but at the expense of a hundred men who met violent deaths and heavy loss of equipment, supplies, and furs as a result of Indian attack and keelboat sinkings. The company discovered Great Salt Lake and the magnificent South Pass of the Rockies. Its members were the first to go from Salt Lake southwest to California, the first to cross to California by the Utah and Nevada deserts and the Sierras, and the first to go by land, despite Spanish opposition, from San Francisco to the Columbia River. This company did not trade with the Indians for furs, but did its own trapping. Experience proved that its scattered parties were better supplied by goods taken to an annual mountain rendezvous than from fixed posts. This gathering became thenceforth a regular institution, where all collected for swift business and then a spree which ended only when the whiskey was dispatched.

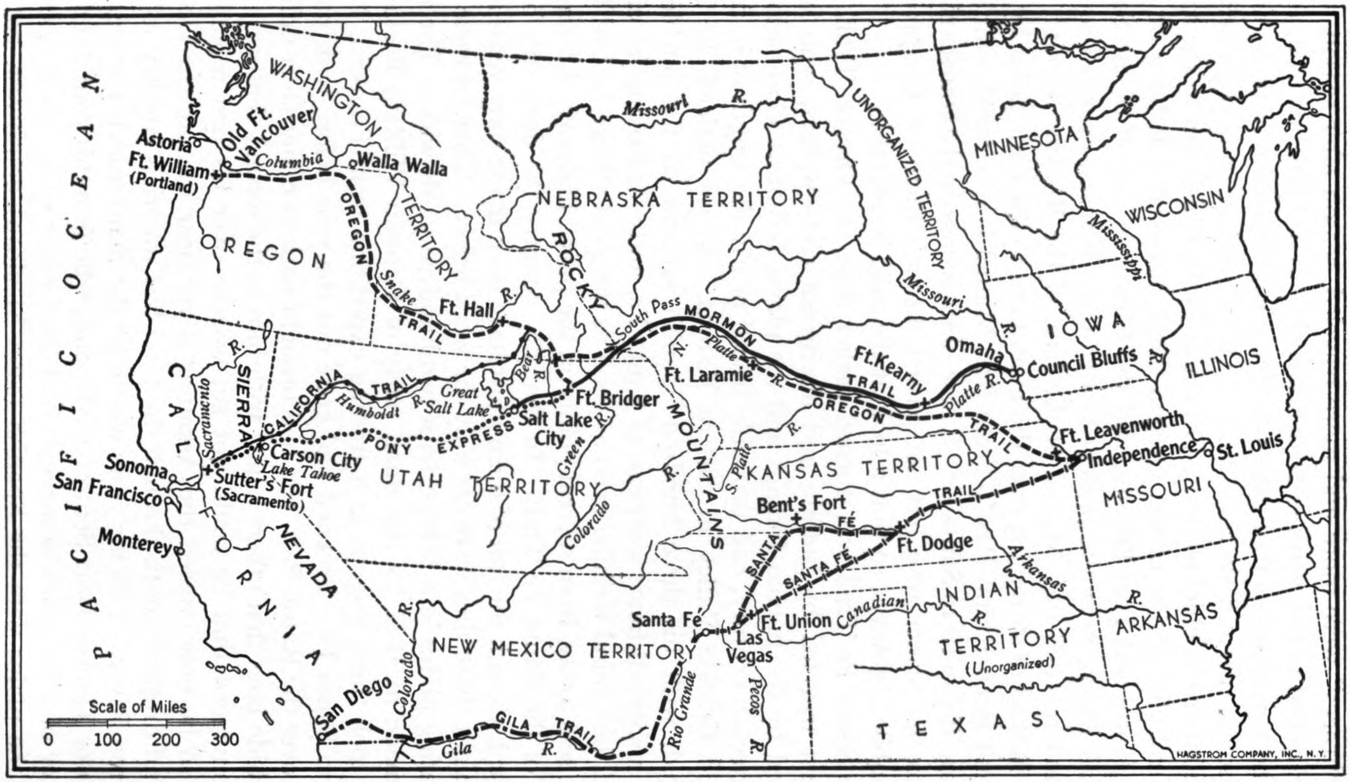
The failure of Astoria by no means discouraged its founder, who after the War of 1812–14 renewed his activities. By several means he displaced the British at Mackinaw between Lakes Huron and Michigan, and soon had headquarters in St. Louis in spite of opposition of the older interests there. Where the Yellowstone enters the Missouri he built Fort Union as a great fur-trading post, introduced the use of the steamboat to ascend to the upper reaches of the Missouri (1831), and

continued in a career of absorbing competitors who were wise and destroying those who were not. This great business was conducted in several departments, and covered all of the United States where there were buffalo to be shot or beaver to be trapped. Astor retired in 1834, perhaps partly because he saw what we should call today a technological change, silk displacing beaver fur in the manufacture of hats.

"Westward the Path of Empire"

On the heels of trappers came traders and settlers. The historic covered-wagon routes across prairies and plains were the Oregon Trail and the Santa Fe Trail. They had a common starting or "jumping-off" point at Independence (now a part of Kansas City) or its neighborhood, on the Missouri River. For forty miles they ran westward together, to what is now Gardner, Kansas. Here they branched. Someone had put up a board, pointing northwest, with a big message in three words, "Road to Oregon." Those traveling the two thousand miles by this way cut across what is now the northeast corner of Kansas; traversed Nebraska, following the Platte River and its north branch into Wyoming, where Fort Laramie was soon reached; the track led on to the continental divide in South Pass of the Rockies and then dipped southwest to one of the principal stations, Fort Bridger; it then turned northwest, not entering Utah but running to a station above the Great Salt Lake, Fort Hall, in what is now Idaho; then, still northwestward, along the Snake River to Fort Boise; thence in the same direction through the corner of Oregon to Fort Walla Walla, on the Columbia River in the present State of Washington. Here the trail for many years ended, for the river was used to its mouth at the coast.

The Santa Fe Trail was roughly half as long, running southwest through what are now Kansas and Colorado (or, by the Cimarron route, through a corner of Oklahoma), into New Mexico and ending at the old Spanish capital from which the road took its name. The Oregon Trail was principally an emigrant route to the Salt Lake region, used by the Mormons, and to California and Oregon, while the Santa Fe Trail was used chiefly by traders. There were other great tracks of population and traffic movement in the then wild country west of the Mississippi, such as the Cherokee Trail, which ran from Fort Smith, on the border between Arkansas and Oklahoma, westward past Bent's Fort (near the present La Junta, Colorado), thence northward into Wyoming and so due west to Fort Bridger, where it joined the Oregon Trail. As



THE WESTERN TRAILS

these "traces" were more and more traveled, season after season, they were ramified in two ways — feeders struck into or branched from them near the terminals, so that each was like a rope frayed out at the ends; and also cut-offs and alternate routes in some sections were popularized. Of the latter the chief were the Overland Trail, which ran to the south of the middle section of the Oregon Trail, between Julesburg on the South Platte and Fort Bridger, and the Cimarron cut-off of the Santa Fe Trail which, near the present Dodge City, Kansas, dropped southwest and reached San Miguel at the base of the Rockies through the desert instead of struggling over the mountains to the same point by the high and steep Raton Pass. From San Miguel is a tortuous climb of less than fifty miles to Santa Fe. These place names on the courses mean little to the reader who has not passed through them on the present automobile highways, so that a look at the map is desirable.

The Santa Fe Trail was opened earlier than the Oregon Trail. It was first traveled by buffalo and aboriginal cliff-dwellers, who were followed by the pueblo Indians and the plains Indians. Coronado, in the sixteenth century, had probably traced nearly the length of it, from the Rio Grande Valley to eastern Kansas. As we noticed, he had wintered, with his three hundred Spanish soldiers, at the pueblo of Pecos, a short distance southeast of Santa Fe, and was looking for cities of gold, but found nothing even as good as the mud village he had left.

One sees today, from several points on the paved highway, the wagon tracks of the Santa Fe Trail. In that dry country the deep ruts have remained, though the last of them must have been made sixty years ago. One might think they were cut only the week before. They traverse the undulating plains in a belt perhaps two hundred yards wide. The first were made in 1822 by the small party of Captain William Becknell, which took three wagons in a trading expedition from Franklin, Missouri, to Santa Fe. Becknell had gone out the year before with pack-horses over the Raton Pass, and had brought back so many silver dollars in rawhide bags that others joined with him in the second venture. He was convinced that he could not get wagons over his first mountain route, so he now crossed the Arkansas River near the present Dodge City and dropped south through the level but waterless country to the Cimarron River. This for years was to be the main traveled route.

Senator Thomas Hart Benton of Missouri, who from his youthful days as editor of a St. Louis newspaper had been eager to see trade opened across the plains with the Spanish (soon Mexican) Southwest, got an appropriation from Congress in 1825 of thirty thousand dollars. A third

of this was used for surveys and the remainder for buying peace from the Indians for the caravans. The trail by the Cimarron was 780 miles, stretching across grasslands and desert from the rowdy frontier towns of the Missouri to the sleepy settlements of the Rio Grande, from the raw board stores and saloons filled with trappers, river men, gamblers, Indians, soldiers, and mule drivers on the restless edge of the United States, to the baked plaza before the governor's palace in Santa Fe, where the monotony was never so agreeably broken as by the coming of the traders. Thus, at the time when the East was protecting young American manufactures with tariffs, was laying out turnpikes, cutting canals, and building its first railroads, the frontier was making a path which in a short generation would help bring into the Union a new empire.

Trade Goods and Troops to Santa Fe

The traders took to Santa Fe and Taos ox- or mule-drawn wagons laden with "cotton goods, consisting of coarse and fine cambrics, domestic, shawls, handkerchiefs, steam loom shirtings, and cotton hose"; and woolens such as "super blues, stroudings, pelisse cloths, and shawls, crapes, bombazettes, some light articles of cutlery . . . and looking glasses." The buyers wanted bright colors, and machine-made goods were instantly preferred to the products of their own handicrafts and to the shopworn remnants which caravans brought up two thousand miles from the larger centers of Mexico. The pay taken home to the Missouri was Spanish dollars and bullion, jacks and jennies (whence the Missouri mule), and furs, chiefly beaver. From 1822 to 1843 the value of goods taken out over the Santa Fe Trail averaged over $100,000 annually, increasing irregularly from $15,000 to $450,000. These wares might fetch in Santa Fe or elsewhere in Mexico twice what they had cost on the Missouri River, leaving a net return, after the heavy expenses, of anywhere between 10 and 40 per cent. The tariff collected by the Mexican governor was about 25 per cent of the value of the goods. This duty was suspected of being illegal; it was frequently arbitrary, and some traders could get it whittled. In one period the charge was five hundred dollars per wagon, with one wagon in so many admitted free. In the twenty years mentioned, while the value of the goods increased, the number of proprietors of these goods decreased; that is, as the trade was systematized it fell into fewer hands.

The Santa Fe Trail was the path over which General Kearny and his

second in command, Colonel Doniphan, led seventeen hundred Missouri frontiersmen to the American conquest of New Mexico in the summer of 1846. Kearny came down into Las Vegas from the Raton Pass, and told the inhabitants — as what invader has not done since — that he and his army were there "as friends, not as enemies, as protectors, not as conquerors," and was soon repeating the speech in posters stuck on the adobe walls of other villages, and, in his best manner, in the plaza of Santa Fe. The Mexican governor, after brave threats, had refused to fight the aggressors, but fled, leaving his subordinates to take the oath of allegiance to the United States. Soon Kearny went on from Santa Fe by the Rio Grande and the Gila Rivers to San Diego to have the determining part in the conquest of California. He had not been long gone when the five hundred comprising the Mormon Battalion reached Santa Fe. These had been recruited on the Missouri, at what is now Council Bluffs, Iowa, then the Mormon "headquarters," and were expecting to conquer homes for themselves in California. Being settlers as well as soldiers, more than twoscore women and some children came along on the march, which took the old desert Cimarron route instead of the mountain pass.

But the presence of large numbers of United States troops in Santa Fe inevitably provoked resentment in the native population, which rose and attacked isolated clusters of the *Gringoes*. Retribution was swift and cruel; from that time the pueblos were submissive rather than friendly. But the plains Indians — Comanches, Pawnees, Kiowas — were alarmed by the great army supply trains which moved at all seasons over the Trail now that soldiers were constantly stationed at Santa Fe, and by the emigrants who began to filter into New Mexico and California. The Indians saw their hunting lands invaded, the buffalo wantonly slaughtered for their hides, the interlopers setting up forts and stations for the succor and protection of thousands of wayfarers. The savages began to attack every train of traders or army supplies and in the summer of 1847 alone killed nearly fifty Americans, burned 330 wagons, and drove off 6500 head of stock.

But the caravans continued to come. The gold rush to California in 1848–49 increased the traffic. Monthly stages, carrying the mails, began running between Independence and Santa Fe, and this meant that eight hundred miles of country, thirty years before without a single permanent habitation, was to be dotted with stage stations which would grow into towns.

By Oregon, at the opening of the last century, men meant roughly

the region west of the Rockies and north of California. American claims to the country, which for some years were lightly regarded by us, were based upon the voyage through the mouth of the Columbia River by Captain Robert Gray of Boston in 1792; the Lewis and Clark expedition of 1804–06; the fur station, Astoria; and upon the Presbyterian mission established by Marcus Whitman near Walla Walla in 1836. Other claimants at different times were Great Britain, Spain, France, and Russia. Any French rights fell to the United States with the Louisiana Purchase in 1803, and those of Spain by the Treaty of 1819 which ceded Florida. In 1824, Russia relinquished to the United States all claims south of 54° 40′, and the next year reached a similar agreement with Great Britain. Proposals in Congress to build a fort on the Columbia and to organize the district as a territory failed of passage, though the region was becoming better known in the East through the publication of travelers' accounts and individuals trying to organize colonization.

The depression beginning in 1837, the severest the country had known to that time, was to determine the issue of Oregon between the United States and Britain. For twenty years the country in dispute had, by treaty, been left open to the citizens of both nations. Commissioners and diplomats had been unable to agree on a boundary between the United States and Canada. In the presidential campaign of 1844 the Democrats, partly in solicitude for the prospective extension of slavery, raised the threat of "fifty-four forty or fight!" Later the British rejected the compromise line of the forty-ninth parallel, because they wanted at least joint rights in the mouth of the Columbia River. But in 1846 mutual conciliation ensued, and a treaty was ratified on the basis of the forty-ninth after all.

Wheels to the Pacific

Expanding population had pressed across the Mississippi and up the Missouri, against the country reserved to the Indians. By 1840, Illinois had almost half a million people, an increase from a mere twelve thousand thirty years before. Kentucky and Tennessee had three quarters of a million or more each, Missouri over a third of a million, Arkansas nearly a hundred thousand, and Wisconsin, still regarded as wilderness, had thirty thousand. The depression hit these westerners especially hard, for their expectations of development of their country through canals and railroads had been reckless. The collapse of the boom readily suggested to pioneers that they could escape from dis-

appointment and poverty by moving farther west. But the Indians, by treaty, roamed over the prairies and plains abutting on the settled American frontier, the great area embracing the present states of Oklahoma, Kansas, Nebraska, the Dakotas, and Minnesota. So there was nothing for the whites but to jump across this Indian barrier, and then keep on going over deserts and Rocky Mountains to the humid Pacific slope. Not the explorers, nor the trappers, nor the missionaries, but the emigrants with their creeping ox-drawn wagons, moving by the thousands for the next quarter-century, gave character to the great Oregon Trail.

John Bidwell, just come of age in 1840, had moved from upstate New York to Ohio and on to Weston, Missouri, where he taught school and bought land. Losing his claim, he was fascinated with what he heard of California from one Robidoux, who had trapped through the Pacific Northwest. Bidwell called his neighbors together, and they listened to the Frenchman so eagerly that five hundred had soon enrolled in the Western Emigration Society and agreed to meet at Independence in May, 1841, to fare forth to the land of promise. An unfavorable account brought back to the Missouri by a party that had gone to the Pacific two years before discouraged resolutions already faltering, but Bidwell persisted and soon had collected at the "jumping-off place" sixty-nine men, women, and children with thirteen wagons drawn by mules and oxen. A small party of Catholic missionaries, under Father de Smet, soon joined them, contributing the invaluable services of their guide, Thomas Fitzpatrick.[1]

This was the first party of settlers to cross to the Pacific over the Oregon Trail, going past landmarks later engraved on the memories of so many thousands — Chimney Rock, Fort Laramie, the North Platte Crossing, Independence Rock, and through South Pass. This South Pass, nearly eight thousand feet up, with the snow-covered peaks of the Rockies on each side seeming to sink with the curvature of the earth, makes today's motorist feel himself on the top of the world. The footsore emigrants, distracted from their weariness only by their anxieties, probably did not enjoy this elation. At Soda Springs, above Great Salt

[1] The mention of so many names is justified by the influence exerted on the history of the trans-Mississippi West by experienced and courageous individuals. They were pathfinders, defenders against Indians, founders of stations and trading posts which were later cities, and who ended, many of them, as governors and senators. The expanse of country and its possibilities for development were so huge as compared with the small number of people who struggled into it that pioneers often take on more importance than they would have merited in their old environment.

Lake, the Bidwell party divided, half, with only the vaguest directions from some trappers, clambering over the Sierras into California (ending at what is now Oakland), and others going by the known track to the missions around Walla Walla.

The next season, 1842, a larger caravan went to Oregon. It was organized by Dr. Elijah White, who had been a missionary there, and it had guidance for part of the way by Fitzpatrick, who had so helped the Bidwell party the year before, and who now had all he could do to stave off attacks of the Cheyenne Indians. White brought to Marcus Whitman a letter from the Prudential Committee of the Presbyterian Board of Missions at Boston, which ordered the abandonment of some of the stations.

Whitman — physician and preacher — as ready to pry the Devil out of the souls of the Cayuses and Nez Percés as to cut a two-inch arrowhead from the shoulder of his scout, the celebrated Jim Bridger, did not give up. He wondered whether, if his own prudence was equal to the western civilizing effort, that of comfortable individuals in Boston could not be brought round. Whitman was indomitable. In 1836, going to Oregon on his second trip, now with his young wife, he was determined, against every obstacle, to get a wagon through, because unless wheels could turn over the whole trail emigrants would not follow. The story of Whitman and that wagon is an epic, and reveals the man. When two wheels broke down, he made the thing into a cart. He took it to pieces to get it over precipices, put it together to struggle on a few more upright miles, and did not acknowledge himself defeated until long after everybody else in the company was exasperated by his stubbornness. So in 1842 he would not take an order to quit. With one companion he started out on horseback in October to argue with more than the mission board of Boston. He wanted to persuade the national government at Washington to establish a line of military posts to guard emigrants on the Oregon Trail and to take the Northwest for American settlement. He plunged through mountain snows over a circuitous route, somehow found food and forage where there was none, and only after five months reached civilization at St. Louis. He went on to Washington, pleaded for the nascent Oregon with the Secretary of War and plied Horace Greeley of the *New York Tribune* with an enthusiasm which may have helped to produce that editor's "Go West, young man!" He told his Boston patrons that whatever they did, he would carry on. He was a stout fellow, was Marcus Whitman.

The Covered Wagon

Just when Whitman got back to Independence, on the Missouri, in May, 1843, ready to help forward the greatly increased migration of that year, the Americans in Oregon formed a local government, with constitution, "legislative committee," judges, and other necessary officers. The functionaries and partisans of the Hudson's Bay Company would have no part in it, and their patriotic British opposition might have brought the experiment to ruin had not the ranks of the Americans been so soon augmented by the arrival of Whitman, with a thousand persons in families, one hundred and twenty wagons, and fifteen hundred oxen and loose cattle. The members of this Great Emigration, as it is called, at the British station Fort Hall, above Salt Lake, were dismayed by the warnings of the chief factor that they could not get through to Oregon with wagons. Anyway, if they held on for the Columbia River they would encounter winter, famine, Indian attacks from tribes then assembling for their destruction. The Britishers tried to divert the large company over the shorter route to California. Whitman, who had remained behind to urge on the slower wagons, now came up, said he had heard these despairing counsels before, rallied the party, and struck out with the lead wagon. The company arrived in Oregon after passing over what one testified was "the roughest wagon road I ever saw," and so swelled the American settlement that Congress was soon persuaded to turn from debate to practical diplomacy, and the Northwest passed to this country.

Migration over the Oregon Trail now grew to new proportions. There were plenty of letters finding their way back to the settlements, newspaper accounts, and pioneers on visits to their old homes, and these started more and more covered wagons. Four parties jumped off in 1844, and the next year more than three thousand persons reached Oregon. Some hundreds of each emigrant train chose to go to California. Those of 1846 found it no longer Mexican territory, for the American settlers, with the assistance of General Frémont and his troops, captured Sonoma and declared California an independent republic under the Bear Flag. Three weeks later, Commodore Sloat in Monterey Harbor took possession of the country for the United States. This easy revolution was completed when Frémont captured Los Angeles the second time and, in a mountain pass near the pueblo (now the steep boulevard of sight-seeing buses showing off the homes of movie stars) made the treaty that brought peace in 1847.

The worst tragedy of the trail was the fate of the Donner party in the winter of 1846–47. Formed at Springfield, Illinois, the company went slowly forward, part of a larger train, to Fort Laramie. Just beyond South Pass a messenger brought what was called an "open letter to all California emigrants now on the road," from one Hastings, who offered to wait at near-by Fort Bridger [1] to guide them over his new and shorter route south of Salt Lake. When they got to Fort Bridger, Hastings had left with another party, but, against informed advice, those under George Donner resolved to follow. They soon found that this cut-off, while possible for pack-trains, offered heartbreaking obstacles to wagons. The party was delayed by the necessity of making a road, contriving detours, and resting their oxen. They took three months to get to the Sierras, by which time they were in the midst of snows and out of food. They killed mules and cattle for rations, abandoned their wagons, and trudged forward through the drifts until further progress was impossible, when they huddled in miserable cabins found by the way. Soon they had nothing on which to gnaw but frozen hides; they wasted energy and thwarted decision with quarreling. A small group of the strongest hazarded going ahead to bring back help. These became snowbound, and ate four of their members who died of starvation and cold. The same happened at the main camp. When relief reached them, from Sutter's fort at Sacramento, it was in time to save forty-five of an original eighty-one.

[1] Fort Bridger, in the extreme southwestern corner of Wyoming, on a good creek, Black's Fork, is a principal landmark of the Oregon Trail. It was established as a trading post in 1843 by James Bridger, who, in the twenty years since he had gone from St. Louis to the Yellowstone in a trapping expedition, had become a frontiersman second in renown only to Kit Carson. His station became a stopping place for most of the westward migrants; it was a junction point for the most direct California routes. At first there seem to have been two enclosures, of poles daubed with mud, one containing a few log cabins and a blacksmith shop, the other for stock. Bridger and his partner were often absent, so that companies of migrants acted as their own hosts. When his post was ten years old, the Mormons, who wanted to control the region, drove Bridger out. Later United States troops restored Bridger, then leased his station for an army post. The place now belongs to the State of Wyoming. The visitor is first impressed by the spreading shade trees at the entrance and by the green meadow along the creek. Among the remains are a solid stone building, dating back to Bridger's time, housing relics of the trail, many of them having to do with horses, oxen, and wagons, but some the precious finery of women who had little else to make them feel civilized as the wagons lurched across those plains and mountains. One of the exhibits, discovered in a creek bottom, is a frontier-made bear trap, looking like a stout, narrow wagon bed arched over with wagon tires loosely woven together. Fort Bridger was one of the relay points for the Pony Express of 1860–61, and the log stable from which the fresh horses were taken and into which the lathered, blowing ones were brought, stands as it was when completion of the transcontinental telegraph substituted electricity for sparks from flying hoofs. The barracks and other army buildings are falling down, though the further decay of some has been arrested by sheds erected over them for protection. The drill ground has grown up in cottonwoods.

The Mormons and the Gold Rush

The first of the Mormons came to Salt Lake in 1847. They had gone from Nauvoo, Illinois, to Kanesville on the Missouri (now Council Bluffs, Iowa). Most of them crossed the river and suffered privations in what they called "winter quarters" before they could set out under Brigham Young for the Far West. He led the advance party with seventy-two wagons to Fort Bridger, and there confirmed earlier reports which had disposed them to settle in the Salt Lake Valley. Soon the main party of two thousand, with 566 wagons and large herds, arrived at the site of Salt Lake City, and the next year more Mormons covered the Trail. Their settlements dotted that portion of Utah. In 1856 began the hand-cart emigrations of Mormons. A measure of economy, in several years this mode of traveling thirteen hundred miles brought four thousand to Salt Lake, though some of the parties trundling their food and goods endured fearful trials and two hundred and fifty persons perished.

But now came the gold rush of the "forty-niners," when in the single year some twenty-five thousand persons passed over the Oregon Trail to the "diggings" and some eight thousand more used other overland routes. The discovery of gold in Sutter's millrace, fifty miles east of Sacramento, California, in January, 1848, was not widely known or credited except in the adjacent districts until the end of that year. As early in the spring of 1849 as grass could be expected, unheard-of numbers of emigrants began to collect at the Missouri River points. Not all were equipped with wagons or took the precautions which experience had taught those going out for settlement. Companies with pack-mules hastened ahead; some had carts, even wheelbarrows; some carried blankets and what food they could on their backs. Cholera broke out at the "jumping-off" places and dogged the anxious steps for hundreds of miles of the track, leaving the way strewn with shallow graves. Others, farther along, encountered hunger and cold; many animals died or were killed and wagons were broken up to make pack-saddles.

The next decade saw changes as travel over the road became more regular and the East became more conscious of the West. California and Oregon were made states; Kansas and Nebraska were turned from Indian country into territories, where both free-labor North and slave South struggled to put their settlers. Toward the end of the decade there were gold rushes to Colorado and Nevada in which the Santa Fe Trail figured. Great, high-wheeled army supply wagons appeared; soon Concord coaches, with stations a dozen or fifteen miles apart between

the Missouri and the Pacific, were carrying passengers, mails, and express in three weeks instead of the old time of the ox-trains of twice as many months. But the stages, however scheduled, were doomed by the transcontinental railroads, which were definitely planned in the early fifties, just as the Pony Express was ushered out by the completion of the telegraph. The Civil War showed how essential it was to bind the far parts of the country together physically if they were to be bound politically.

Then the old days of the Trail were gone. It is a pity that we may not describe their trials and triumphs in some detail, for they form an absorbing part of the American saga. These scenes live yet in the memories of a few old people on the Pacific coast — the wagons drawn in a great circle and chained together for a barricade against Indian attack, the swimming of stock and floating of wagons across the rivers at flood, the food and the danger in buffalo herds stretching sometimes as far as the eye could see, the tragedies that befell when grass and water gave out, the call upon ingenuity when an axle-tree broke, birth and death — all encountered as the "prairie schooners" crawled westward at two miles an hour.

The United States stole California from Mexico in a fashion which, if carried out by a European imperialist nation now, would be branded by us as treacherous and a threat to the welfare of the world. It was of a piece with the war on Mexico. President Polk gave himself the same reasons which have ever been used by expansionists when they wanted to annex rich and ill-defended territory. A leading historian of California, after describing the "confusion and uncertainty in the political affairs of the province, which almost amounted to anarchy, coupled with the lack of protection to life and property, and the feebleness of Mexican control," has gone on to say that "a change was inevitable," and that "before he assumed office, Polk had determined what that change should be. So far as he was concerned, the issue was already settled. California was to be annexed to the United States." [1]

There was the usual excuse that a foreign power was about to intervene, British loans to Mexico being preliminary to intended purchase or seizure of California. So when our offers to buy were rejected, we stealthily encouraged rebellion of Mexican officials in California, and when this course was cut short by revolt of Americans under their Bear Flag, we went on to frank military conquest. John C. Frémont played a part — in the army, out of it, back in again as suited the convenience

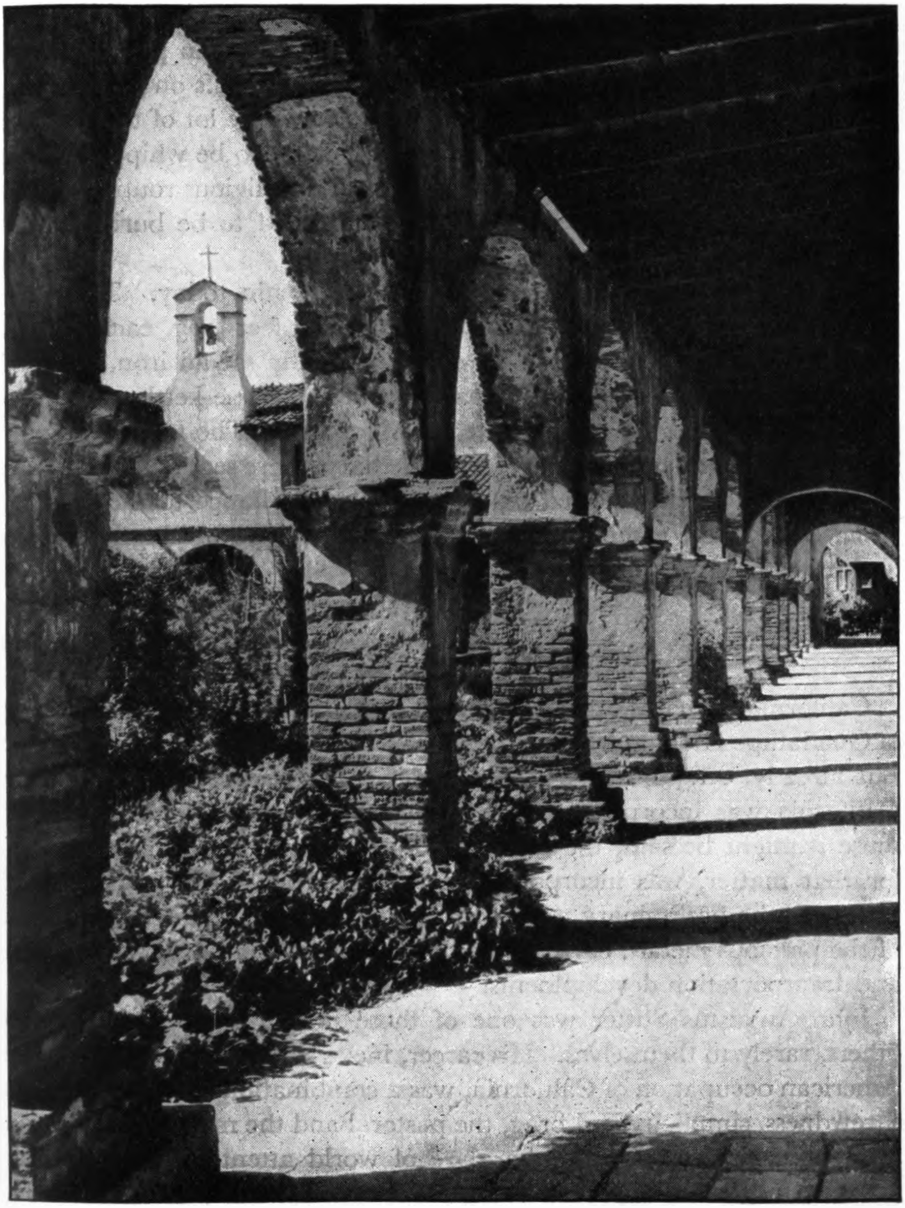
[1] Robert G. Cleland, *A History of California: The American Period*, pp. 163, 165.

of the moment — which did him and our government little credit unless we judge by the effectiveness of deception and force.

The military action on both sides was *opéra bouffe*. American sailors landed at Monterey and found no Mexican officials with so much power as even to surrender the port on July 7, 1846. The "Cahuenga Capitulation" on January 13, 1847, completed the sordid business. Between these dates and before there were "battles," with a few hundred or a few score on each side. While these encounters were real enough for the few who died in them, many movie armies on the same ground since have looked more martial.

Life in the California Missions

By the time Americans came in numbers, the once productive mission establishments, which had played a prominent part in early California economy and public administration, had fallen prey to private exploiters and typified the neglect and looseness of Mexican rule. The score of Spanish missions were founded in the last quarter of the eighteenth century by Franciscan friars, Serra and Lasuén the chief, under government patronage. The buildings on display today and used for religious services have undergone more or less restoration, for many were of adobe (gutinous mud, straw, and manure) which is impermanent. Those in California proper — Alta California to distinguish it from Baja California, the peninsula — are spaced along the coast from San Diego to San Francisco, roughly a day apart by horse. A few were planted some miles inland. The mission was a principal means of consolidating the Spanish conquest by collecting and disciplining the Indians, and soon by furnishing supplies to the *presidios* or military posts. Each mission was far more than a church. A couple of priests supported by a corporal and five or six soldiers presided over a great cattle ranch, a tannery and tallow-rendering vats, grain fields, gardens, orchards, handicrafts of spinning and weaving, pottery-making, olive-pressing, and a school. Despite, and not a little by means of the religious aura, the mission was a slave establishment so far as the Indians were concerned. Once induced to enter its walls, the Indians might not leave except by running away. Between frequent Masses, they did all of the many kinds of work. The mission fathers tried to save souls though this involved enslaving bodies. The ships which came from New England around the Horn to the California coast brought luxuries — silks, satins, laces, cognac, champagne — for the members of the small white ruling class, but little for



Gendreau

MISSION SAN JUAN CAPISTRANO

the Indians who had slaughtered and skinned the cattle and boiled the fat for tallow to be given in exchange. In the Mexican period, when pretended trade prohibition was replaced by high tariffs on the traders, more articles of general utility were brought in. The lot of the mission Indian was to work by day, be locked in by night, to be whipped or set in stocks for laziness or thieving, to go through a religious routine which was the price of food and shelter, and in the end to be buried in an acre sufficiently sacred to need no headstones.

Ruins of the tallow-rendering equipment remain today. They are brick furnaces extending in a block seventy-five feet long, each with a bowl-like depression in its top in which originally sat an iron kettle of two hundred and fifty gallons capacity or less. These kettles were obtained from the whaling ships that put in for food. The tallow was run into big rawhide bags, and these, with the hides, were sent on pack-mules or in creaking solid-wheeled ox-carts the short distance to the seaside, whence they were taken by sailors through the surf to waiting longboats and so to the ship lying off the rocky coast.[1]

Gold in a Millrace

California formally became a part of the United States by the Treaty of Guadalupe Hidalgo which closed the Mexican War, February 2, 1848. But already, on January 24, gold had been discovered, and suddenly California was incorporated into the country's economy, or, in some sense it might be said, the economy of the country, and of the world, for that matter, was incorporated into California. The gold rush of 1849 was the preliminary to further population shift, changed positions of the precious metals, currency controversies, new political alignments, and transportation developments.

John Augustus Sutter was one of those people who bring luck to others, rarely to themselves. His career, inextricably bound up with the American occupation of California, was a combination of innocence and shrewdness, simplicity and brag, the pastoral and the martial. He came from obscurity to stand in the glare of world attention, only to sink again to neglect. He was born in Germany of Swiss parents in 1803. At about thirty he left his wife and children to the mercy of any with

[1] See Richard Henry Dana, *Two Years Before the Mast*, which describes the hide trade on which Lynn and other New England shoe towns depended for much of their leather. At Dana Point, near the large mission of San Juan Capistrano, between Los Angeles and San Diego, one may stand where great bundles of hides were swung over the forbidding precipice to the boatmen on the beach.

more conscience and struck out for America. By way of the Santa Fe trade and a trapping expedition, he reached the Pacific. In 1840, with permission from the Mexican authorities, he founded his station, or fort, "New Helvetia," on the Sacramento River thirty miles east of San Francisco Bay. He bought out the Russian colony of Bodega up the coast, not so much for the land claims as for the building materials, and paid with a promise which set his Indians and other dependents to work raising wheat, tanning hides, weaving blankets, and distilling whiskey. His adobe fort has been reconstructed as an historical exhibit. In Sutter's day it mounted a dozen of the Bodega guns, gave hospitality to all Americans who came across the Sierras or down from Oregon, vacillated between overawing and submitting to Mexican authority, and was the home of disappointed plans and unlooked-for success.

The gold was found in the race of the new sawmill by James W. Marshall, an employee of Sutter. It was not the first gold known in California, but Spanish explorers, mission fathers, American, Canadian, and Russian trappers had alike failed to see the shining particles which now put the name California on the lips of everyone. The secret soon got out locally, the alcalde of Monterey writing:

> My messenger has returned with specimens of gold; he dismounted in a sea of upturned faces. As he drew forth the yellow lumps from his pockets, and passed them around among the eager crowd, the doubts, which had lingered till now, fled. . . . The excitement produced was intense; and many were soon busy in their hasty preparations for a departure to the mines.[1]

And soon another described the exodus from near-by communities:

> The whole country is now moving on to the mines. . . . Every bowl, tray, warming pan, and pigin has gone to the mines. Everything in short that has a scoop in it that will hold sand and water. All the iron has been worked up into crow-bars, pick axes and spades.[2]

Every tale of fortunes taken in the Sierra creek beds in a few days or hours (and they were solemn truth) flew up and down the coast, depopulating towns of all who could by any means get to the diggings. Ships were deserted in the harbors, wheat fields were turned over to cattle; only jailbirds were left, and these with few to feed them. President Polk announced the finds to the country officially in his message of

[1] Quoted by Robert Glass Cleland, *A History of California, The American Period.* New York, The Macmillan Company, 1930. Used by permission of the publishers.

[2] *Ibid.*, pp. 227, 228.

December, 1848. Mining companies were formed, co-operative and other, but the majority set out as individuals, those from the old frontier going generally in families, intending not only to make their pile, but to settle in the new country.

There were several main routes from the East. One was around the Horn (six months or more in a sailing vessel). Another went down to Chagres on the Atlantic side of the Isthmus, across by native canoe and afoot to Panama, and thence, after the longest wait in the longest queue known to history, by any kind of tub up the coast five thousand miles to Yerba Buena, the port soon to be known as San Francisco. Overlanders used the Oregon Trail all the way and went south or continued west from Salt Lake to reach the gold fields by Humboldt and Truckee, or followed down the eastern mountain wall to one of several passes. Others chose the Santa Fe Trail, with an alternative of routes between that town and California. Some thirty-five thousand forty-niners came overland, and two hundred and thirty American vessels were jammed with thousands more. The next year showed no slackening. It was such a migration as was not topped until Negroes seventy years later moved from the South to northern centers, or the "Okies" and "Arkies" of the desperate nineteen-thirties faced toward California. The dangers and trials of the sea routes — cholera, scurvy, crowding — and the tortures of the trails over deserts and mountains — burning sands succeeded by Sierra snows, thirst and hunger destroying man and beast — have been told by some who endured them. These accounts of the argosy are authentic, and it would be a pity to try, in a paragraph or two, to give a notion of the fortitude and foolhardiness which they depict.[1] Besides the United States, every country, but especially those of Central and South America, sent its contingent to California in the gold rush.

Bars and Gulches

The first method of extracting gold was by washing sand and gravel. The simplest and least efficient device was by use of a pan, which was shaken until the heavy gold particles (dust) fell to the bottom, when the dross was poured off. This was improved upon by the cradle, half of a hollow log, or an open box of that shape, fitted with rockers, and swung back and forth to separate the gold. The "Tom" was in effect a better

[1] See, as a specimen, William Lewis Manly, *Death Valley in '49*, which recites the suffering of a party, of which he was a member and rescuer, which gave name to the below-sea-level desert.

and bigger washing pan, part of the contrivance having a perforated bottom to catch larger stones, and another part having riffles, or cleats on the bottom of the trough, behind which the gold was deposited — or some of it, for much was washed off with the water. The sluice came next, being a long trough, or series of troughs, down which the material from the sandbar was carried by water, the precious dust captured by riffles. Soon "dry diggings" were discovered in the gulches, where gold was picked out from crevices in the rock with knives, or gold-bearing quartz was dug and crushed in crude mills.[1]

The miners worked close together on bars and in canyons, the first claims being only a few feet square, not larger than a living room. "Ounce" diggings, yielding on the average an ounce of gold a day per man (an ounce selling for sixteen to eighteen dollars, depending on the dealer and the district), in the first years were considered good enough not to be abandoned for further prospecting. Wages in the worst-paid occupations within striking distance of the mines approximated what a miner could earn, for the opportunity to take gold was open to all. As the yield from mining decreased, and as claims passed into the hands of fewer persons, who charged royalties from those who worked them, wages fell, whether of cooks, clerks, or wagoners. The effect of California gold (half a billion dollars in a decade) in helping to raise prices throughout the world was first demonstrated in exaggerated proportions in the mining communities themselves, where the simple staples — flour, bacon, beans, coffee, sugar, shoes, shirts, boots — were sold at startling sums, such as flour at $1.50 a pound, sugar twice as much, and hay, where some wild oats had been harvested, $150 a ton, delivered.

As wages went down, land values in the mining districts and in such brand-new cities as San Francisco, went up, as Henry George was to observe later, especially when the Central Pacific Railroad had possessed itself of much of the best portions of California. In other words, the riches of the state went first to those who worked them, but soon began to inure to the speculator who charged, in rent, royalties, and selling price of land, for the right to apply labor to natural resources. The coming of the transcontinental railroads gave a decisive fillip to this process of rent extraction.[2]

[1] For a first-hand description of California gold mining and mining towns, see Chauncey L. Canfield, editor, *Diary of a Forty-Niner*. The writer was a farm boy of Norfolk, Connecticut, who drifted West and was in the thick of the first mining camps. Like many another, he was a prudent fellow who saved what he rocked in the creek beds.

[2] See Henry George, *Our Land and Land Policy*, or, more readily available, *Progress and Poverty*.

Derisive names of the mining camps reflected their casual character — Poverty Flat, Hangtown, Red Dog, Slumgullion, Ground Hog Glory. Most are "ghost towns" now, and those which have survived and grown have taken names considered suitable by the local chamber of commerce. From their gullies and flats and lonely shacks miners came into town for swift amusement, though not every door from the dusty roadway swung into saloon, gambling dive, or dance hall. Besides the proprietors of these places were merchants selling the innumerable articles wanted in a new community, express offices to accept gold for shipment, and even barbers. The towns were mixtures of every sort of race and culture, and those who hunt in the remoter ones today may find Russian samovars, red and gilt Chinese screens, and many reminders of Old Mexico. The largest foreign groups, Chinese and Mexican, were many times treated with scant justice, not to say forceful expulsion. The law was oftener unwritten than written, and was enforced by individual shotgun or by vigilantes who, if there were not too many candidates for whipping or hanging, first went through a summary form of trial.[1]

While the California coast was thus seething with excitement, enterprise, and expansion, trouble was developing on the Atlantic coast. What the cause and progress of this trouble was we shall examine in the following chapter.

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[1] On the outskirts of Los Angeles is a museum, indoor and outdoor, of California frontier days, its thousands of items speaking vividly of trail, mining camp, and ranch. There is a one-room jail, and a cemetery where more evildoers were stowed. Fronts of the buildings from one side of a mining-town street have been brought there intact.

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Chapter 21

Slavery and the Slave Trade

SLAVERY was the cause of the fiercest controversy and bloodiest conflict in American history. Many of the champions, for and against, used the issue for ulterior purposes, and others, though sincere, were self-deceived. In the last years before all argument was abandoned for war, the differences between the sections became a dispute so embittered, declamatory, and fevered as to neglect and obscure the grounds of both sides. But the slave system possessed both beneficial and injurious features. That is true of any social institution which continues long; time itself both hallows and indicts. For that reason the attacks upon and defenses of slavery created such an upheaval in American economic, political, and spiritual life, bringing international repercussions as well. The system, as it developed, may not be condemned or condoned out of hand. Yet there can be no question but that the verdict of the Civil War was accurate as well as conclusive. History everywhere, certainly in recent centuries, has given preference to freedom with attendant insecurity, rather than to protection with loss of liberty.

While the abolition of slavery was advantageous to the country and all of its people — indeed was necessary — we must try to examine it as a part of the texture of southern life and as it was viewed, at different stages, by most people in the North. This is anything but a simple matter. It involves the whole opposition between an agricultural economy and an industrial one, between paternalism and democracy.

There were prominent features of American Negro slavery which should be mentioned at the start. The system was above all one of exploitation. It did not conserve and build. It did not have the object or effect of raising the standard of living of all, or indeed of any of the classes coming under it. It robbed the land and the people. The loot was at times rich, but went to a few, and even these few were injured in material and immaterial ways. It exhausted the soil; land was cheaper than labor, a fact which was both cause and effect of the refusal to put back the nutriment taken out. The effect of slavery on the slave formed,

of course, the center of the controversy. The slave was not unrequited. He got for his compulsory labor essential maintenance from cradle to grave. Upholders of the southern system were quick to point out ways in which the industrial slavery of the North, if it could be so designated, compared unfavorably with the security of the plantation worker. They dwelt, too, on the boon to the Negro of being brought from barbarism to civilization. Southerners explained that the slave worker set a slow pace for himself, out of which he would not be hurried. It was declared that, if anything, the slave exploited the master, who was bound to support him and his progeny however trifling the blacks might be. And in the end it was said that the consolations of religion, opened to the slave by the master, offset economic deprivations.

None of these apologies went to the point at issue. The slave, by very definition, had no independence, no opportunity to improve his status, no hope of providing a better prospect for his children. Upholders of slavery sometimes said that the master could claim no property in the slave, but only in the right to the labor of the slave. This he might use or transfer. It was contended that the southern slave was no chattel. While he could not make an explicit contract with his master, he enjoyed the benefits of an implied contract, a warrant on the part of the master, recognized and enforced by society, according to which the master, in return for compulsory labor, provided sustenance and protection to his slave. Those presenting this excuse called the system not one of slavery but of "Warranteeism."

None of this quibbling altered the central fact, which was that the slave enjoyed no economic self-direction and could claim only a minimum from the results of his labor. The truth was, of course, that if the labor of the slave was compulsory and the fruits of it belonged to another, he could have precious little life of his own. Economic status controls political, spiritual, social, and intellectual liberties. The slavery controversy did much to bring recognition of this into modern thought.

What Rights Had the Slave?

Southerners, when pushed to it, were bound to concede that taking from the slave his freedom as a worker took from him all other freedom. He was allowed no political participation. In southern states it was against the law to teach a slave to read. His social equality with the whites was denied as a matter of course; any association which he had with the white community was as a menial. Slaves were not per-

mitted to meet for religious purposes without the presence of a white man to approve the direction of their spiritual yearnings. Much of the religious "instruction" of slaves was given by whites. The Negro slave's religion was one of resignation, or, when this proved insupportable, was made the means of temporary escape from the hard realities of his condition. Ignorance, economic impotence, a natural eloquence and gift in rhythmic expression combined to produce an emotional "jag." The slaveholders made religion serve their own economic ends. As given to the slaves it was a sedative drug, numbing all ambition and hope except that for a heaven to be entered, not by the body, which could work, but by the soul, which God could have, such as it was, when the master was done with the earthly vessel. Just as surely the masters used religion to subjugate their own minds, by distorting generous precepts into excuses for tyranny.

Apologists for slavery, faced with expressions in the Declaration of Independence and in other political charters on which white men relied, claimed that social expediency put a limit on "inalienable rights." Thus: "There are inalienable rights, we admit. . . . But life and liberty are *not* 'among these.' . . . it is the . . . *right* of society to make such laws as the general good demands." The fallacy was that "the master, as the head of the system," was made the sole judge of what was socially expedient. Social decisions, so far as the slaves were concerned, were totally devoid of democracy. The slaveholders who put forth this doctrine wanted to have it both ways — to rest slavery upon the good of the community and at the same time make the community, so far as it could express itself, no wider than the interest of the dominant whites. The fact was that on the basis of social expediency slavery was not upheld, but condemned. It was precisely because it did not contribute to prosperity, security, and convenience that the system was overthrown.

White Victims of Slavery

Not only did slavery exploit the slave. It exploited also the non-slaveholding whites, small farmers and wage-workers, and others who, not wanted at all, hung upon the fringes of society. One of the few champions of "the liberation of five millions of 'poor white trash' from the second degree of slavery" was Hinton Rowan Helper of North Carolina. He himself came of this class, in the western part of the state, and knew at first hand how it was neglected and oppressed. His book, *The Impending Crisis of the South*, published in New York in 1847, was

one of the severest indictments of slavery by anybody. It took telling effect because it was the accusation of a Southerner, and his argument was pitched on the broad ground of the social unprofitableness of the institution as revealed by comparisons of the mean economic condition of the slave states with the accomplishments of the free states. His preachment was that slavery, whatever it was able to wring from land and people by way of immediate goods, operated at enormous cost to present and future, and was really suffocating the abilities on which all enduring productive capacity must rest.

Helper's book circulated more widely than had any other social polemic in America up to its time. In the North it received cheers which helped to elect Lincoln, and in the South it was banned and burned. As an extreme instance of its repudiation among slaveholders it is said that "three men were hanged in Arkansas for owning copies." [1] Said Helper:

> Notwithstanding the fact that the white non-slaveholders . . . are in the majority, as five to one, they have never yet had any part or lot in framing the laws under which they live. There is no legislation except for the benefit of slavery, and slaveholders. As a general rule, poor white persons are regarded with less esteem and attention than Negroes, and though the condition of the latter is wretched beyond description, vast numbers of the former are infinitely worse off. A cunningly devised mockery of freedom is guaranteed to them, and that is all. To all intents and purposes they are disfranchised, and outlawed. . . .

The "poor whites" were the "forgotten men" of the Old South. Their precarious lot, generation after generation, was a standing reproach to the system of slavery. In the plantation districts they were unable to compete against slaves. A public man of Alabama lamented:

> Our small planters, after taking the cream off their lands, unable to restore them by rest, manures, or otherwise, are going further West and South, in search of other virgin lands, which they . . . will despoil . . . in like manner. Our wealthier planters, with greater means and no more skill, are buying out their poorer neighbors, extending their plantations, and adding to their slave force. The wealthy few, who are able to live on smaller profits, and to give their blasted fields some rest, are thus pushing off the many who are merely independent.

[1] For a convenient summary of Helper's book and the facts of his life, see Hugh Talmage Lefler, *Hinton Rowan Helper, Advocate of a White America*, in Southern Sketches, No. 1 (Charlottesville, Virginia, 1935).

The overseers of plantations were drawn from the "poor white" class, but this took care of only a small part of the total. If they remained in the planting districts, they became squatters on barren lands. As it was said they persuaded slaves to steal from meat house and corn crib, or sold them whiskey, the slave-owners were anxious to expel these poor white men. Their freedom, in spite of their mean condition, might put dangerous notions in the heads of slaves. Many small farmers, thus crowded out, went to the up-country where slaves were few, and, joining with earlier migrants to that section, became the "mountain whites." Whether "crackers," "dirt-eaters," "red necks," "sand-hillers," or "hill-billies," the derisive terms applied to them reflected the treatment they received at the hands of slavery and slaveholders. The descriptions of their deterioration are too numerous and too similar to be mistaken. They had little left but a gullible pride which was played upon by the dominant whites for the support of slavery while the institution lasted.

Some recent students of the ante-bellum South have shown that there were middle-class whites in the section, besides the aristocrats and the "poor whites." They were "yeomen farmers," skilled mechanics, small businessmen in town and country. Their classification is uncertain and their numbers remain nebulous. They were without marked economic, social, or political influence. The forces of plantation slavery which specialized the economy prevented this group, which depended upon diversification, from expanding.

Comparative Cost of Slave and Free Labor

It is fruitless to try to figure out whether slave labor was more or less costly to the individual planter or other owner than free labor. Assertions and calculations were made on both sides. It was pointed out that planters in the Gulf states employed Irishmen for ditching and other work which would endanger the health of their valuable slaves; if the Irishman got sick or died, it was his loss, not that of the employer. Southerners dwelt upon the advantage, from the standpoint of the employer, of amalgamating labor with capital in the institution of slavery. There was no "class conflict," as would be said today. The blend advanced the interests at once of capital and of labor. The southern economy was not plagued by the labor unrest which showed itself in strikes and pestered the free labor system of the North and of England. Strikes in the production of the South's staple crops would be disastrous, especially in the gathering of tobacco and the grinding of sugar cane —

work which had to be done at once or the crop would be lost. While much was made of this last in the answers of Southerners to abolitionists, the argument was beside the point. There was no concerted action of free agricultural workers anywhere in the world save faint beginnings in England.

The aspect in which the cost of slave labor, greater or less, was important was the social one. The South rejoined that if solicitude for the workers was the question, it was northern employers who were callous and grasping. Northern industrial society was disgraced by "that morass of misery into which the worn-out, broken tools of labor" were thrown. Pauperism, crime, unemployment, disease were the results where the employer did not own the worker and thus was not responsible for his rearing and dependent old age. In the ills of industrial society in Britain and the North, Southerners found material for retort. The advantages of freedom to the economy were not considered by southern apologists. While northern society showed evidence of distress, turbulence, and waste, that of the South was more static. It did not possess the elements of change, growth, and improvement which are safeguarded by a conflict of interests. Its labor system did not promise variety, inventiveness, adaptability, nor an improving standard of living. Furthermore, beneath the surface of its apparent routine were ominous wastes of human and physical resources — exhaustion of the soil, neglect of many means of producing wealth, and cultural repressions the full extent of which did not become evident until long afterward. Slavery, as an economic and social system, simply swept the dirt under the bed, leaving to a future day the inevitable problems of political and industrial cleansing.

From the thirties through the fifties, Northerners and Southerners alike rarely grasped the distinction between private and social wealth or understood that the former really depends upon the latter. A favorite cry of Southerners was that emancipation without compensation would ruin slave-owners, since they could not survive the loss of the great sums invested in their Negroes. Bledsoe, a professor of mathematics in the University of Virginia, estimated, when the controversy was at its hottest, that the value of the slaves to their owners was $1,200,000,000. But the South, as an economic unit, would not lose any such amount unless freeing the slaves should decrease their productivity. The only social wealth was in the application of labor. Southerners of the earlier period, particularly George Mason and Thomas Jefferson, recognized that the planter would be better off in a society founded on free labor.

To be sure, the pro-slavery argument made capital of the decrease in productivity in the British West Indies, especially Jamaica, following emancipation there. The failings of the free blacks, in South and North, were enlarged upon as proof of what would be general were the reckless demands of abolitionists successful.

It was declared that emancipation would lose to America much of the value of the South's production. How could the North and West continue to sell their manufactured goods and foodstuffs to the South if they could not get in exchange the agricultural staples which their industries and commerce demanded? An agricultural South, assumed to be dependent upon slave labor, and an industrial North were complementary, without economic rivalry. Were slavery abolished, economic exchange between the sections would be disastrously diminished, for their productions would come to be too similar. Furthermore, America and the world would lose the value of southern exports, cotton heading the list. "Blot out Negro slavery," exclaimed George Fitzhugh, "and you arrest the trade of the world." The textile districts of England, with all that they represented, must have slave-grown southern cotton.

The British themselves echoed this disturbing thought. The London *Economist* was mindful that "the lives of nearly two millions of our countrymen are dependent upon the cotton crops of America," so that "should any dire calamity befall the land of cotton, a thousand of our merchant ships would rot idly in docks; ten thousand mills must stop their busy looms; two thousand thousand mouths would starve. . . ." [1] Time was to show that the "Lancashire cotton famine," dire as it was during the Civil War, could not persuade the free British workers to espouse the cause of slavery by favoring recognition of the Confederacy by their government. However, out of the supposed absolute dependence of the North and England on the southern staple readily developed the "Cotton is King" idea, with which Southerners gave themselves a defiant self-assurance when all other argument seemed unlikely to protect slavery.

Foreign Slave Trade

The "middle passage" was called so because it was the second leg in the triangular slave trade: that is, the slaver would sail from Newport, Rhode Island, for instance, to Goree on the west coast of Africa, barter

[1] These quotations come from Arthur Young Lloyd, *The Slavery Controversy, 1831–1860* (Chapel Hill: University of North Carolina Press, 1939), pp. 215–16.

rum for slaves and take them to Brazil or the West Indies for sale (this being the middle passage), investing the proceeds in molasses to be turned into rum in the New England distilleries. In the case of a European slave ship the cargo on the first leg of the voyage would be "Manchester wares" or "French stripes" (cloth), cutlery, mirrors, beads, and other items, and from America the vessel would go home laden with sugar, tobacco, rice, and indigo. The "horrors of the middle passage" were so often described by so many sorts of witnesses that there is no doubt about their reality. "Civilized" peoples looked callously upon human suffering which they inflicted for profit, and this continued for nearly four centuries before the trade was stamped out. New England clergymen and deacons, in white churches yet standing in the coast towns, prayed for the success of slave voyages with no thought of hypocrisy.

At first the ships were unbelievably small. One does not see how they packed in the Negroes they carried, let alone food and water for so many on a voyage of more than two months. It is said that a vessel of only thirty tons register was licensed to carry forty-five slaves, one and a half to each ton register. Later larger ships were used, but with hardly more room for each of the captives. On the whole, small vessels finished their trading quickly, and returned with less mortality among the Negroes than was true of the larger ships. Joseph Manesty, Liverpool merchant, wrote to John Bannister, of Newport, in 1745:

> *Sir*, I desire you will order Two Vessels built with the best white Oak Timber at Rhode Island, both to be Square stern'd with 2½ and 3 Inch plank with good substantial bends or Whales. they are for the Affrican Trade to have middling bottoms to have a full Harpin and to carry their Bodies well forward and in the upper work not so much tumbled in as common for the more commodious stowing Negroes twixt Decks. [They were to be] 58 feet long in the Keel, 22 feet beam, 10 feet hold, 5 feet twixt Decks.

The British Act of 1788 To Regulate the Carrying of Slaves limited the number that might be stowed to five slaves for every three tons burden in ships of two hundred and one tons and less, with proportionately fewer allowed in larger vessels. The instant outcry from the slave merchants, notably those of Liverpool, alleged a catalogue of reasons against the reform. The trade was ancient, extensive, important to the country, and only lately had been "unjustly reprobated as impolitic and inhuman." The proposed restrictions would kill it. The pending bill

took the traders by surprise, and gave them no time for their defense. One owner of many slavers wrote to Lord Hawkesbury bewailing the act:

> Ships of about 200 Tons Accommodated rather more than two Slaves to a Ton very well and without Crowding them, and from experience I have found the Trade carried on by this rule as Successful as any; and to restrict them under that Number, Ships nine times in ten would not get Money.

The writer went into particulars which show what ingenious arguments may be prompted by a quivering pocket nerve, which foretold that if the bill passed, profits of the slave trade would go to Britain's competitors.

While the bill was in Parliament, Captain Perry examined eighteen vessels in Liverpool. One of these, the *Brookes*, became famous and influential in the agitation against the slave trade through the diagram of it showing how the Negroes were packed in; several thousand copies were circulated in Philadelphia alone. The measurements of the main slave deck were 100 feet length, 25 feet 4 inches beam, and 5 feet 8 inches up to the deck above. Midway of this between-decks space, around the ship's sides, ran a platform 6 feet wide, on which Negroes likewise lay. Thus, the space under and over the platform measured less than 32 inches. The *Brookes* was 320 tons, and was allowed by the pending bill to carry 454 persons, which was three more than could be wedged into her, permitting for each man slave a space 6 feet by 1 foot 4 inches; for each woman, 5 feet 10 by 1 foot 4; for every boy 5 feet by 1 foot 2; and for every girl 4 feet 6 by 1 foot. It was said that the *Brookes* in one of her voyages actually carried 609 slaves, by inserting additional shelves. The slaves, before being embarked, were stripped naked and their heads were shaved; these precautions were in the interest of cleanliness, or rather permitted some pretense of it. Anyway, in the crammed slave decks there was no room even for loincloths.

After the foreign slave trade was interdicted in 1807, and was declared piracy by Britain and the United States a dozen years later, the compression of the human cargo by the slave smugglers was, if possible, greater than ever. Now vessels were chosen for their speed, being frequently of the new clipper build. They were narrow, low, rakish, and many had less use for the guns they carried because they could outsail the naval cruisers which hung off the coasts of Africa and Brazil. It was as dangerous to these smugglers to be caught with one slave as with a full cargo, so the captains stowed their Negroes, as was said, "like herrings in a barrel." The *Cleopatra*, captured by a British cruiser, had

400 Negroes in a space 36 feet long, 7 feet wide, and 3½ feet high. The slaves were immediately brought on deck for air and exercise, but a squall came up and it was necessary to drive them back into the sea-going "black hole of Calcutta." In the terrific heat the strongest fought their way to the one small grating, to which they hung, shutting off air from the others. In the morning fifty-four were found dead.

The American cruiser *Yorktown* captured an American slave bark, the *Pons*. Commander Bell wrote to the Secretary of the Navy:

> The vessel has no slave-deck, and upwards of eight hundred and fifty were piled, almost in bulk, on water-casks below. As the ship appeared to be less than three hundred and fifty tons, it seemed impossible that one-half could have lived to cross the Atlantic . . . and yet the captain assured me that it was his intention to have taken *four hundred more* on board if he could have spared the time. The stench from below was so great that it was almost impossible to stand more than a few minutes near the hatchways. Our men who went below from curiosity, were forced up sick in a few minutes: then all the hatches were off. What must have been the sufferings of these poor wretches when the hatches were closed!

The slaves were generally brought on deck for part of every day in fair weather, nets being raised around the sides of the ship to prevent them, when near land, from trying to escape, and at other times from committing suicide by flinging themselves overboard. At night all were fitted into their holds by mate and boatswain armed with "cats." The Negroes were compelled to lie "spoon-fashion," on their right sides (this being thought better for the heart action), or were stowed each with his head between the thighs of another. Sometimes, further to conserve space, they sat, if it can be called such, maybe with head and shoulders bent against the deck or shelf above and with legs apart to permit the body in front to be jammed closer. An eye-witness of the unloading of a captured slaver at Sierra Leone said:

> I attempted to descend in order to see the accommodation. The height between the floor and ceiling was about twenty-two inches. The agony of the position of the crouching slaves may be imagined, especially that of the men, whose heads and necks are bent down by the boarding above them. Once so fixed, relief, by motion or change of posture, is unattainable.

Slave Ships and Methods of Trade

Several sorts of shackles were used on the men. Two would be bound together by fetters on ankles, wrists, or necks, or all in the cargo would

be locked to a long chain run through rings in the deck. Ordinarily irons were removed when the ship got out of sight of land, but instances are recorded in which collars were riveted by the blacksmith for the whole of the middle passage. Hatches and bulkheads between compartments of the hold were made of grating, and there were attempts to force air through these by use of "wind sails." But bad weather or the appearance of a cruiser condemned the cargo to untellable torments. Lack of air, seasickness, equatorial heat intensified during calms, food consisting principally of farina or corn mush, and the minimum of water (from half a pint to a pint and a half a day) induced every kind of disease, most commonly dysentery. Swabbing out the slave rooms with a weak solution of vinegar and such efforts as the ship's surgeon could make under the conditions were feeble remedies. Inspection of slaves in Africa did not prevent smallpox and yellow fever from being brought aboard. These plagues ran like wildfire through cargo and crew, and it was then that the largest numbers of dead and dying were thrown overboard.

Ophthalmia might add a climax to other horrors. The ship *Le Rodeur*, in 1819, had this disease break out among the slaves, who had been continuously confined in the hold for two weeks. Bringing them on deck in relays, which the surgeon advised, was stopped because many jumped overboard, so the contagion quickened; members of the crew got it, and soon all on the ship were blind except a single sailor on whom, as steersman, hung the only hope of reaching the West Indies. One day this single seaman saw what he thought to be a derelict, from the aimless way she was drifting. It turned out that she was the Spanish slaver *Leon*, every soul aboard of her blind. The one man with eyes had to let her go to her doom, and barely got his own ship to Guadeloupe before he was stricken. Some regained their sight or the sight of one eye. In the fearful passage thirty blinded slaves had been thrown overboard. This disposal of the sick, which is recorded in a number of instances, was encouraged by the insurance against jettison or the prudential destruction of cargo.

While the trade was legal and afterwards, the slaves were bought by the captains and supercargoes on the coasts of Africa, in two ways. Stations or "factories," with barracoons (slavepens where the Negroes were collected awaiting the ships) were conducted at first by the trading companies of the different countries, and later private adventurers had similar depots. These were usually located at a little distance up one of the sluggish, shallow rivers, where the watching cruisers could not

penetrate. At one of these a whole cargo could probably be taken aboard promptly. On the other hand, if dealings were with the native chiefs and traders, the process of collecting a cargo, one or two Negroes at a time, might be tedious, so that the expense in the end would often be as great as though the wholesaler had been resorted to. Thus, a slaver captain wrote to his owner from Jamaica, 1737:

> . . . you have a number of times objected to me my Long Stay on the Coast, I was forct to stay trading from October until June . . . theres no man alive but must have done the same at that time. . . . I beg your patience Sir, while I recount to you the detention of other rum men at the same time, the Snows of Rhode Island one of 140 the other of 90 Slaves the first stayed to Dispose of their Rum all most eight months, the other between 6 and 7 months, a sloop of Boston . . . was on the coast . . . five months. . . .

The *Journal of a Voyage by Gods permission from Providence in the State of Rhode Island: towards Goree in Africa: on the Good Ship "Mary." Captain, Nathan Henry. May God grant success to the Ship and Crew* (1795–96), contains entries illustrative of this piecemeal collection of a cargo of slaves: "Thursday December 24th. Had several of the Inhabitants on board but no trade made today." On the 26th he "Recd. 2 Men Slaves," and two days later "Recd. 6 men Slave 2 Women Slaves." These were in return for sugar, cider, claret, vinegar, musket balls, muskets, rice, and rum. On January 23, "Sold my own Hhd. of Tobo. [tobacco] for 3 Small Slaves." On February 2, the log records, "This Day Brisk Trade. Bought Eleven Slaves. Imployed in Delivering Goods. All Hands Drink and Disobedient." Then the captain decided to try his luck in another river, and the log has for February 12, "At Daylight got under Way. Bound down uppon the Gold Cost with 116 Slaves on bord." The entries resume notations of "Afternoon the Captain went on Shore and purchased a Boy Slave," and so on. The rule was to barter goods for slaves and, when possible, gold, and the latter, once got, was parted with reluctantly. Thus: "A Great many Blacks on Board. But little trade as they want all Gold for their Slaves, purchased one Man Slave." Already the entries begin to tell of deaths among the newly shipped Negroes. "Buried one man Slave. Several others Sick and Complaning," and soon, "Died a Man Slave with a Dysentery, been sick but a Short time." Mr. Johnson was sick, the captain sicker, and in a few days the writer of the log "was at work in the hould and was taken very sick at my Stomach, from the hould Retired to my Cabin Where I

lost about a pint of Clear Blood, after this a Sever fit of the Ague and fever."

The long months of lying in pestilential creeks and rivers were as hard on the slaves as the voyage, especially as their numbers increased, for they were fettered to prevent their escape to the near-by shore and were stuffed beneath a deck the seams of which were starting from the broiling heat. By June 12 the *Mary* had "lost by Sickness Eight Slaves and four by the Insurrection Makes 12 Buried." The slaves in spite of all precautions were often able to rise against their captors. The crews were small and, especially after the trade became illegal, were composed mostly of scoundrels who, since they had no command of themselves, impressed the wretches in their charge with nothing but brutality. In one or two instances mutinous "cargoes" actually succeeded in taking over the ship at sea and getting her to land, no mean feat in jungle savages who were at every conceivable disadvantage.[1]

The *Mary* left Cape Coast, Africa, June 17, with her "complement" of 142 slaves "Great and Small," and was until August 18 in the middle passage to Savannah, Georgia. The log shows that in the two months twenty-five of the slaves died — almost 20 per cent — in addition to the deaths while the cargo was collecting. Two drowned themselves: "June 25th. Men Empd. [employed] tending Slaves etc. About 10 A.M. a

[1] Some lines from the log of the *Mary* describing the insurrection of June 10, 1796, are pertinent here. The ship lay at Elmina taking on water; it had been rainy, "so that the Slaves can scarcely come on deck only long enough to clean out their berths," and four days before, "This morning found our women Slave Apartments had been attempted to have been opened by some of the Ships crew, the locks being Spoild and sunderd." Maybe these items had something to do with what happened on the tenth. "Commences calm and pleasant. Loos'd Sails to dry etc. We was this morning informd by one of our Slaves that was not confined but on deck as a Sailor, that the Slaves had intentions of taking the Ship, and also advised by him to be on our guard. About 8 A.M. Capt. Henry went on Shore and also advised me to keep a good look out over the Slaves. . . ." Small spars, etc., that the slaves might use as weapons, were stowed away. "Everything being clear on the Mn. deck, myself, Jacob Folger and John Jones took off the fore greating and Calld them up two by two as they were Ironed and Examined them, found all the legg Irons in good order, but halld about 5 or 6 Irons off they being too large. When they were all up but 6 or 8 I cast my eyes down the Ladder and saw a large strong Slave, with a naked legg Iron bolt in his hand, which I seizd, and endeavord to take from him, with all my strength but he held in Spight of me, by that I perceivd his intentions were hostile. As they all gathered round us, and gave a loud Shout, at which I retreated for the Barricade door . . . and Saw the same Man Endeavoring to take a billet of wood that was under a pipe of wine for a quoin. . . . Folger was sadly wounded with their Iron about the head and would have been Murdered had it not been for our muskets (5 of which was fired Blunderbust). . . . In the interim about 12 of them came and placed thier backs against the Barricade and the door, as though . . . to force it. . . ." A Portuguese captain lying near-by came aboard with twenty armed men, helping to stop the revolt. It was found that twenty slaves had got their irons off, one had jumped overboard and drowned, another was shot dead, a sick slave had been trampled to death in the fray, and four had been wounded.

Slave boy jumped overboard and drowned him self to get clear of a pain in his bowels, Occasioned by a Dysentery. No. 16." On July 26: "This morning one Meagre Man Slave, who was with the Men boys in the Midle Room Come upon deck and jumped over bord. Several Rope was hove him but he endeavored to drown him Self having been Delirious Sometime. No 22" And other entries: "Died and was buried 2 Small girl Slaves No. 28," "Buried a small slave having been sick a long time."[1] Such records need no comment to emphasize the wretchedness which they bespeak. The *Mary* sailed from Providence, the city of Roger Williams, with the pious entreaty, "May God grant success to the Ship and Crew," and took her living captives to Savannah, the city of Governor Oglethorpe. The rum distilleries of New England and the rice swamps of the South were bound together in this iniquity. This was in 1796, at the time when the young American nation was establishing its economy. The liberty of faraway savage Africans seemed trifling as compared to the measures that we were taking to improve our national independence. It is true that the Quakers at just this moment were condemning slavery root and branch, and that others, in control of government, consoled conscience with the thought that provision for ending the slave trade would result in ending the institution of slavery itself. But the fact was to be that the violation of Africa proved, in two generations, the destruction of millions of Americans.

On a slaver, in the morning, when the gratings were thrown open and the cargo was called on deck for a breath of blessed air, not all of it responded. Strange! Not to want to leave suffocating stench and darkness for sunlight! But the answer was that some of the living were chained to the dead. It is said that actually babies were born of mothers fettered to corpses.

Mortality in the collection, transportation, and delivery of slaves varied much from ship to ship and from season to season, depending upon what part of Africa the slaves came from. Sir Folwell Buxton calculated in 1835 that the slavers were bringing annually one hundred and fifty thousand to the American continents. Perhaps he did not minimize the deaths in saying that of every ten Negroes lost by Africa, America gained only three. The trek of yoked slaves through the paths from the interior of Africa to the coast killed half those who started, the middle passage took a fourth of the remainder, and the seasoning process in America saw the death of a fifth of those landed. The profits, espe-

[1] The log of this voyage is given in Elizabeth Donnan, editor, *Documents Illustrative of the Slave Trade to America*, Vol. III, pp. 360 ff.

cially after the trade became illegal, were enormous — 180 to 200 per cent. A slave that cost in rum, cloth, or tobacco on the coast of Africa $40 would fetch $350 in Havana. So remunerative was the business that sometimes the smuggler, having marched his slaves overland in Cuba, could afford to burn his emptied ship in the lonely inlet where she had run to avoid capture, and thus destroy evidence of his crime. Every sort of graft was parasitic upon the illegal trade, whether on the coast of Africa or of Cuba, but still it paid handsomely.

It was commonly said, in excuse for the taking of Africans, that they were slaves anyway of native masters, and that many prisoners of war in the jungles were rescued from death by the prospect of sale to the slave ships. Slavery did exist in Africa as a result of debt, defeat, and crimes. But slave captains and agents at the factories instigated tribal warfare to increase the number of captives offered them. Thus, Francis Moore describes visits to the trading forts of the Royal African Company in the Gambia country about 1730:

> Since this Slave-Trade has been us'd, all Punishments are chang'd into Slavery: there being an Advantage on such Condemnations, they strain for Crimes very hard, in order to get the Benefit of selling the Criminal. . . . There was a Man brought to me in Tomany, to be sold for having stolen a Tobacco-pipe. . . . Whenever the King of Barsally wants Goods or Brandy, he sends a Messenger to our Governor, at James Fort, to desire he would send a Sloop there with a Cargo. . . . Against the arrival of the said Sloop, the King goes and ransacks some of his Enemies Towns, seizing the People, and selling them for such Commodities as he is in want of, which commonly is Brandy or Rum, Gunpowder, Ball, Guns, Pistols, and Cutlasses, for his Attendants and Soldiers; and Coral and Silver for his Wives and Concubines. In case he is not at War with any neighbouring King, he then falls upon one of his own Towns, which are numerous, and uses them in the very same Manner.[1]

The captain of the slaver and the crew might join in the native wars, or, dispensing with the flimsiest formalities, would raid villages and steal all the people they could put their hands on. Only occasionally justice happened in the death of these amphibious pirates at the hands of their intended victims.

Suppression of the Foreign Slave Trade

Slavery overcame political and social fears and moral repugnance because in certain quarters it was held to be highly advantageous

[1] Quoted in Donnan, *op. cit.*, vol. II, pp. 396, 399.

economically. This economic benefit was concentrated and heightened by the Industrial Revolution, which supplied the cotton gin and the hugely expanded demand for cotton from British and northern mills. The foreign slave trade was always an essential part of the slave system. Attempts to suppress the importation of slaves encountered their principal obstacle in the economic motive.

In the colonial period the mother country steadily favored the slave trade. She bolstered the Asiento, or Treaty of 1713, under which the Royal African Company had the monopoly of importing slaves into the Spanish possessions. When treaty and Royal Company came to an end in 1750, the trade was thrown open to all British shipowners, and governors in America and the British authorities at home continued to disallow all acts of the colonies which would prohibit or seriously limit the traffic. Attitudes in the colonies were mixed. After the foreign slave trade became pronounced, there was objection to it on moral grounds. Thus, Quakers of German origin, in 1688 in a Weekly Meeting in Germantown, Pennsylvania, protested:

> These are the reasons why we are against the traffic of men-body, as followeth: Is there any that would be done or handled in this manner? . . . Now, tho they are black, we cannot conceive there is more liberty to have them slaves, as it is to have other white ones. There is a saying, that we shall doe to all men like as we will be done ourselves; making no difference of what generation, descent or colour they are. And those who steal or robb men, and those who buy or purchase them, are they not all alike?

Fifty years earlier the General Court of Massachusetts had ordered the return of some Negroes stolen from Africa,

> conceiving themselues bound by y^e first oportunity to bear witnes against y^e haynos & crying sinn of manstealing, as also to P'scribe such timely redresse for what is past, & such a law for y^e future as may sufficiently deterr all oth^{r}s belonging to us to have to do in such vile & most odious courses, iustly abhored of all good and iust men.

After the first two generations in the colonies until the period of the Revolution, opposition in the South arose from fear of insurrection, in the middle colonies was based on the economic superiority there of white labor, and in New England was confined to slavery as a domestic institution, which was utterly unprofitable in that region. There was no objection to importing slaves for other colonies, bound up as this trade was with the West Indian business of New England ports and the rum distilleries, especially those of Rhode Island.

In the period of the Revolution, a variety of reasons combined in America to discountenance the foreign slave trade, as DuBois has shown with his usual penetration.[1] It was inconsistent with the aroused spirit of liberty, slaves already overstocked the market, and a blow at the slave trade was a blow at the British king. The Continental Association in 1774 resolved against the slave trade and any participation of Americans in it. But by the time the Declaration of Independence was adopted, Jefferson's scathing indictment of the British sovereign for protecting the "piratical" slave trade was struck out by confrères who thought that liberty might well be limited to people with white skins.

By the time the Constitution was formed, however, the North had set its face against the slave trade, by statute or by economic preference, and even the Carolinas were limiting importation through high duties. Northern delegates to the Constitutional Convention assumed that the sentiment of the country would soon bring the new national government which they were planning to outlaw the slave trade, so they were willing to strike a bargain on this head with South Carolina and Georgia. New England got the Navigation Acts, and the Far South the provision in the Constitution that Congress would not prohibit the foreign slave trade for twenty years. It was a compromise supported by self-deception on the part of those who yielded and by plain greed on the part of those who demanded.

Early Prohibitions Ineffective

The successful bloody insurrection of Toussaint L'Ouverture in Haiti in 1791, which resulted in setting up a black republic, persuaded even South Carolina and Georgia to prohibit the importation of slaves. The national government went as far as it constitutionally could. The first of its acts against the slave trade, in 1794, forbade "the carrying-on the Slave Trade from the United States to any foreign place or country," or the fitting-out of slavers in our ports. Penalties for violation were heavy. This act did not prevent foreigners, of course, from bringing slaves here. In 1800, Americans were forbidden to have any interest in slave voyages or to serve on board slave ships. This was to prevent such evasions of the Act of 1794 as that of American slave captains sailing under a foreign flag. But Americans carried on the slave trade as much as ever. It was declared in Congress that "In various parts of the nation, outfits were made for slave-voyages, without secrecy, shame,

[1] *Suppression of the African Slave-Trade*, pp. 41–42.

or apprehension." It was thought that in this way, within a year, twenty thousand Guinea Negroes had been smuggled into South Carolina and Georgia. The Act of 1803, therefore, decreed the forfeiture of any ship bringing slaves into a state forbidding their entrance.

This act might have been effective in keeping slaves out of the country, since every state at the time forbade importation, had not South Carolina chosen to throw down her bars. Her prohibition had been ostensible only, and her people did not want to stop the illicit traffic. Also, she was preparing against national prevention of the trade after 1808, and she wanted to sell slaves to the newly opened Louisiana Territory. Charleston slave merchants were enriched, while futile debates in Congress brought charges and heated rejoinders. Southerners were opposed to the reception by Congress of petitions against slavery and the slave trade, and threatened civil war rather than "suffer themselves to be divested of their property."

But Congress forbade the slave trade, out and out, as soon as it could, by the Act of March 2, 1807, which was to become effective the first day of the next year. This act declared, in the first place, that the importer of slaves had no title to them and could confer none, while the Negroes were to be left to dispose of themselves as they saw fit. This meant that, while the slave trade was illegal, the victims of it would, in fact, be sold into slavery. In the second place, the act provided forfeiture, heavy fines, and in some cases imprisonment for the crimes of equipping a slaver, transporting and selling Negroes, and the willing purchase of illegally imported Negroes.

Enforcement Depended on England

This act was scarcely enforced at all. Americans, under their own or the Spanish flag, smuggled in Negroes from Africa and the West Indies to the number of fifteen thousand a dozen years after the law was passed. Galveston (then Mexican) and the ports of Florida (Spanish) were favorites for organized bands of slaver pirates who captured the ships and cargoes of other thieves without the trouble of a voyage to Africa. A few United States cruisers lumbered along the Gulf coast; if one captured a slaver, the case was poorly prosecuted and the guilty parties were apt to be let off by the courts or pardoned by the President. Congress tried to cure the evil by other acts, the most important being that of 1820 which (1) included the foreign slave trade under piracy, punishable by death; (2) provided for returning captured Negroes to

Africa, by means of an agent stationed in Africa to receive them, this being the real beginning of Liberia; and (3) an appropriation of one hundred thousand dollars was made for enforcement.

Meantime, Britain had abolished the slave trade in her dominions in 1807, and was incessant in her efforts for denunciation of the traffic by all countries, and for its effective suppression. It was evident that there must be concerted international action. Finally all nations except the United States agreed to the "right of visit and search" of suspected slavers by properly authorized vessels of any of the navies. In effect this meant British patrol of the slave coasts. The United States obstinately refused to accede to this arrangement. Jealousy for our sovereignty was less responsible than the determination of Southerners to prevent interference with the illicit trade. American vessels, flying the American flag which gave them immunity from search by British cruisers, swarmed in the mouths of African rivers. The few cruisers we had stationed on that coast were rarely active, and even so they had no right to seize an American slaver unless she had Negroes on board. When the human cargo was shipped, the American flag would be taken down and the Spanish, say, run up; this provided escape from American detection, and if the slaver fell in with a British cruiser, the American flag was speedily hoisted. In the late forties, one hundred thousand slaves were being brought to the American continents annually, mostly under the American flag. Not until Lincoln's administration was a treaty made with England for mutual right of search (1862), and until this time not a single slaver was executed for his crime.

Efforts had been made by the lower South to reopen the foreign slave trade in name as it was being reopened in fact. Southern commercial conventions in the fifteen years before the Civil War degenerated into an open conspiracy for secession of slave states. Under the lead of South Carolina, whose governor had urged revival of the trade in 1856, the convention at Vicksburg, in 1859, favored repeal of all laws opposing the foreign slave traffic, though the border (slave-selling) states were against it. J. D. B. DeBow signalized his complete seduction to sectionalism by becoming president at this time of an "African Labor Supply Association." Others planned filibustering expeditions to Cuba and Central America to capture slave territory and slaves on which the voracious southern system could feed. A slave ship, the *Wanderer*, brought more than four hundred fresh Africans to Georgia as late as 1860; but she was only one instance in a number.

The Confederate States, in order to hold their border members in line

and to appear well in the bid for British support, forbade the foreign slave trade in their constitution. But this was "window-dressing," for the slave-consuming states were in fact free to import whence they chose.

Plantation Management

If the master had only a few slaves, he and his sons worked along with them. If he had a dozen or so, he supervised. If he had more, he employed an overseer, an unpropertied white man who had immediate management of the plantation. The overseer, depending on the plantation and the period, got a salary of six hundred to one thousand dollars a year, his house and food. Well-to-do planters were often absent from their places, visiting the North or Europe, and left for their overseers written instructions which are the chief sources of information as to how, ideally, from the master's point of view, an estate should be conducted.[1] The meticulousness of admonitions to the overseer was in direct ratio to the neglect of his own duty by the master. While the owner was disporting himself at Saratoga or discharging his heavy responsibilities in the legislature, the overseer was to maintain rigid discipline, but with moderation; exact full labor, but permit wholesome relaxation; was to increase the yield while he conserved the means; must be knowing, resourceful, show energy, foresight, and judgment. These elaborate injunctions in a high proportion of cases were gestures; performance rarely equaled the precept. Places of absentee owners were apt to run down; if crops were large (to prove the overseer's efficiency), land and slaves were overworked; if they were small, they argued poor management and laxness; slaves grew sick or took to the swamps. A rule was "never change overseers unless you have to," but neglectful masters often had to. A Georgia planter, reviewing in 1859 the sad results of

[1] See U. B. Phillips, *Plantation and Frontier, 1649–1863*, vols. I and II in *Documentary History of American Industrial Society*. Thus, James H. Hammond, of South Carolina, who was frequently absent from his plantation, enjoined: "The overseer will never be expected to work in the field, but he must always be with the hands when not otherwise engaged in the employer's business. . . . The overseer must never be absent a single night, nor an entire day, without permission previously obtained. Whenever absent at church or elsewhere he must be on the plantation by sundown without fail. He must attend every night and morning at the stables" and so forth. Another was inclined to copybook maxims in his counsel of perfection, for his deputies should "attend their business with diligence, keep the negroes in good order, and enforce obedience by the example of their own industry, which is a more effectual method in every respect than hurry and severity. The ways of industry are constant and regular. . . ." The event might be very different. Thus, a Georgia overseer (1855) expostulated to his absent master: "I received your letter on yesterday ev'ng. Was very sorry to hear that you had heard that I was treating your negroes so cruely. . . . Thear is no truth in it."

his frequent long absences, noted: "The truth is, on a plantation, to attend to things properly it requires both master and overseer."

Beneath the overseers were "drivers," themselves slaves chosen for their industry and intelligence and the respect in which they were held by their fellows. They had charge of the gangs in field and quarters and could administer minor punishment with the overseer present. They were given special rewards for good results. In not a few cases masters rated a good driver, in all but color, above the overseer.

Two Systems of Working Field Hands

Slaves on cotton, tobacco, and sugar plantations were worked generally on the gang or time system; those on rice plantations on the task or piece system. The former meant labor in the fields from "sun to sun." The slaves got up an hour before day at the blast of a horn, did their cooking, and were ready, by the time they could see to work, to go out, in charge of the drivers, with plows and hoes. They worked until sunset or sometimes until dark, with an hour for dinner, which was brought to them in the field. Nursing mothers were allowed to leave the field for a half-hour or more four times a day to feed their babies. At nine o'clock a horn or bell sounded curfew, and soon a driver visited the cabins to see that all were in bed. The gang system called for constant supervision by drivers, whose whips, however, were seldom needed to supplement their authority. The slowest worker set the pace for the gang, but the slaves were so divided that members of a gang were as nearly as possible equal in strength and speed.

The task system, once assignments were made, put responsibility on the individual slave. When his stint was finished, he could quit the field and work his own garden patch, fish or use his time in any other way he chose. The extent of the task had to be carefully determined so as not to overtax the weak hands and make them rebellious, and yet not waste the ability of superior workers. To this end slaves were rated by fractions of tasks, women being three-quarter hands, boys of twelve half-hands, and so on. Also the fields were divided into units as small as a "compass" five by one hundred and fifty feet, so that tasks, accurately adjusted to individual capacities, might prevent loss of labor to the master. Typical tasks for a day were plowing, with two oxen, one acre; breaking stiff land with the hoe and turning stubble under, ten compasses; reaping rice with the sickle, three quarters of an acre; threshing with flail, six hundred sheaves for men, five hundred for

women. Olmsted, in his visits to plantations, in one instance saw a man leave the field at one o'clock, several at two o'clock, and a dozen at four o'clock.

Living Conditions of Slaves

The keep of a working slave probably did not cost the master more than twenty-five dollars a year in the fifties, though it varied much with quantity and quality of provision. Examples would be, of food for every grown slave and every younger one that worked in the field, "a peck of corn each week and a pint of salt, and a piece of meat, not exceeding fourteen pounds, per month"; in another case a heaping peck of meal and three pounds of bacon or pickled pork a week, with fresh meat substituted in winter and a bushel of sweet potatoes in place of the meal if the slaves chose. Generally molasses was given, a quart a week, and where the people were doing especially hard work or in sickly places, a pint of coffee with sugar or a dram of whisky daily. Corn in some form was the staple of the diet. On one of the best-managed plantations children at the day nursery had for breakfast hominy and milk and cold corn bread, for dinner vegetable soup and dumplings or bread, and between meals cold bread or potatoes. Along with vegetables and poultry which the slaves raised for themselves, molasses saved the day.

The issue of clothing might be, for the men two cotton shirts, a wool suit and hat in the fall, two cotton shirts and two pair of cotton pants in the spring, with a pair of shoes every year and a blanket every third year; for the women, if they were expected to make their own clothing, eighteen yards of cotton cloth, light and heavy, and six yards of woolen cloth a year, with shoes and bandanas. Presents were given to marriage couples, to mothers with new babies, and to all the slaves at Christmas.

Masters had sanitary regulations for the quarters, but when slaves took sick they were attended by an ignorant plantation nurse who tried to follow the directions of the overseer or master who had attempted to diagnose the illness, unless it was manifestly of a serious sort, when a doctor was called. The plantation "hospital" on the sea-island estate described by Fanny Kemble, with dirt floor and flies settling everywhere, was worse than most.

Seamiest Side of Slavery

The domestic or internal slave trade continued to grow for half a century after the importation of slaves into America was officially

stopped and in fact became sporadic and minor. A careful recent student has estimated that in the decade 1850 to 1860, the annual average transactions in the interstate trade were some 55,000, in the intrastate trade about 25,000, and that hirings amounted to 60,000. At an average figure of $800 in the interstate trade, it amounted, in dollars, to $44,000,000; at $600 per transaction the intrastate trade represented almost $15,000,000; at $100 for each hiring, this part of the trade accounted for $6,000,000, making a total of nearly $65,000,000. Just before the Civil War, at the height of the "Negro fever," the internal slave trade probably amounted to $150,000,000.[1] The interstate trade was less active in the decade 1840 to 1850 than in that preceding or that following; the causes were several, among them the relatively low prices of cotton, and because this decade intervened between the first opening of the Old Southwest and the immigration into Texas. Also, the slave-cultivated lands of Maryland and Virginia began to be exhausted in the thirties or earlier, causing owners to sell off their Negro property. This condition did not reach the Carolinas until some years later.

The internal trade showed the institution of slavery for what it was — a traffic in the bodies and lives of human beings for the financial benefit of the owners. The auction block reduced the alleged philanthropy and paternalism of slavery to dollars crudely asked, calculatingly offered, and eagerly grasped with little or no thought of the victim in the sale. The domestic trade illustrates the fact, too often lost sight of, that slavery was first and foremost an economic institution. Of course, it was "a way of life" too, for masters and even for slaves, but every aspect of it was submitted, chronically, to the test of financial gain. The oldest and tenderest associations had their money price; loyalty was sold along with strong limbs; family ties and local attachments were disrupted by owners, though sometimes with more than the pretense of regret; in cases innumerable the master was selling his mistress and his own sons and daughters.

The South did what it could dishonestly to avert its own eyes and the eyes of others from this callous business. There was an affectation of considering the slave trader a social outcast, while in fact he was resorted to when need or opportunity arose, and in certain instances, under such a euphemistic term as "broker" or "commission merchant," he moved in the best circles private and public. It was often said by masters and even by dealers that they would not, through the trade, separate mem-

[1] Frederic Bancroft, *Slave-Trading in the Old South*, pp. 405–06.

Gendreau

PLANTATION HOUSE, LOUISIANA

bers of families. Where this was not a lie at the moment, it was apt to become a lie when estates were broken up in consequence of death or debt. Not every "ol' massa" was a benevolent planter solicitous for his black dependents. The owner might be an orphan child whose affairs were in the hands of a stranger, a maiden lady who drew receipts from slaves with no personal supervision of them, a mining company or railroad contracting firm which counted "niggers" along with mules in its operating equipment, or even a church which served God by hiring out or selling off its Negro property. No amount of attempted cloaking of the slave trade would serve; transfers from person to person and from place to place were a necessary and important part of the economy of slavery, so there had to be advertisements and slave pens and marts, all crying their wares.

The greatest hardships for the slaves were in being "sold South" from the older planting districts of the seaboard, or, when Kentucky, Tennessee, and Missouri became sources of supply for the Mississippi Delta and Texas, in being "sold down the river." The latter term, in the

candor of slang, has kept its accurate meaning. Maryland and Virginia, and later the Carolinas and eastern Georgia, were the principal breeding grounds. The markets where slaves were collected for southern shipment were Baltimore, the District of Columbia and Alexandria, Richmond, Charleston, Savannah, and Lexington, Kentucky, with numerous other points of lesser importance. In these regions the profit in slavery was no longer in raising crops, but in raising Negroes. Thomas Jefferson Randolph said in the Virginia Legislature, during the debate occasioned by the Nat Turner Insurrection (1832):

> The exportation has averaged 8500 for the last twenty years. . . . It is a practice, and an increasing practice in parts of Virginia, to rear slaves for market. How can an honorable mind, a patriot, and a lover of his country, bear to see this ancient dominion, rendered illustrious by the noble devotion . . . of her sons in the cause of liberty, converted into one grand menagerie where men are to be reared for market like oxen for the shambles?

In the same year Thomas R. Dew, of the College of William and Mary, pointed to the sale of surplus Virginia slaves as an unassailable reason for quashing all antislavery talk, which had been stimulated by the recent slave revolt. Whatever his later arguments for buttressing slavery with political science and the law of God, his first advice was to hold to slavery because it was more profitable to Virginia than other sorts of stock-breeding. Virginia had become the new Africa, and the ships that sailed out of the Potomac and the James laden with slaves for the Gulf plantations took the place of the old middle passage. "Virginia is, in fact, a *negro*-raising State for other States; she produces enough for her own supply, and six thousand for sale." Every legislator advocating colonization of slaves outside of America should take care lest

> such an abundant source of wealth, be suddenly dried up. . . . Virginians can raise cheaper than they can buy; in fact, it is one of their greatest sources of profit. In many of the other slaveholding States, this is not the case, and consequently, the same care is not taken to encourage matrimony and the rearing of children.

Question of Slave-Breeding

Another writer declared:

> The only form in which it can safely be said that slaves on a plantation are profitable in Virginia, is in the multiplication of their number by births.

> If the proprietor, beginning with a certain number of negroes, can but keep them for a few years from the hands of the sheriff or the slave trader, though their labor may have yielded him not a farthing of nett revenue, he finds that gradually but surely, his capital stock of negroes multiplies itself, and yields, if nothing else, a palpable interest of young negroes.

This writer thought more than half as many slaves were sold out of the state annually as were born in it. Slaves multiplied from births more rapidly in Virginia and neighboring states than in the newer planting districts of the lower South. The masters had a pecuniary interest in it, climate and the nature of slaves' work were more healthful, and there was a scarcity of women in the plantation gangs of Mississippi, Louisiana, Arkansas, and Texas.

Nearly everywhere special attention was given to the natural multiplication of the slave population. Instructions of masters to overseers included directions to encourage marriage, to care for "breeding wenches" and infants, and to give mothers rewards for fecundity. James H. Hammond of South Carolina provided that "for every infant thirteen months old and in sound health, that has been properly attended to, the mother shall receive a muslin or calico frock." Slave "marriages" had no standing in law. Rather they were matings, and it was preferred that they take place between slaves of one plantation. Casual connections were not frowned upon, but if a couple were "married," punishment might be given for separation. Thus Hammond provided; "Where both are in the wrong, both must be punished, and if they insist on separating must have a hundred lashes apiece." Of course, sales annulled unions right and left. A Georgian said that "Really the leading industry of the South was slave rearing." The older sections turned, "from being agricultural communities, into nurseries, rearing slaves for the younger States where virgin soil was abundant." [1]

[1] One of many advertisements quoted by Bancroft to show the value put upon breeding is from the Charleston *Mercury*, May 16, 1838: "A GIRL about 20 years of age (raised in Virginia), and her two female children, one 4 and the other 2 years old. She is . . . remarkably strong and healthy, never having had a day's sickness, with the exception of the small pox, in her life. The children are fine and healthy. She is very prolific in her generating qualities, and affords a rare opportunity for any person who wishes to raise a family of strong and healthy servants for their own use. Sold for no fault." Cairnes (*The Slave Power*) said justly: "The charge of breeding slaves for the market is one which the citizens of Virginia . . . are apt indignantly to deny; and, in a certain sense, the denial may not be wholly destitute of foundation. It is perhaps true that in no particular instance is a slave brought into the world for the purpose, distinctly conceived beforehand, of being sold to the South. Nevertheless it is absolutely certain that the whole business of raising slaves in the Border states is carried on with reference to their price, and that the price of slaves in the Border states is determined by the demand for them in the Southern markets."

Coffles and Prices of Slaves

No distinction could be made between slave traders, though the itinerant speculators who assembled gangs and took them South and the dealers who had regular private jails or pens in Baltimore, Alexandria, New Orleans, and elsewhere were supposed to be singled out for social ostracism. The "brokers," such as several in Charleston, handled more slaves in a year. Planters and speculative buyers would come from the Far South and Southwest to the markets in the older centers; large lots of slaves from well-known plantations were advertised in cities to the southward. The slaves when offered for sale, especially at the pens, such as that of Franklin and Armfield at Alexandria, though they had been ragged and dirty when they arrived, were cleaned up and dressed in new clothes so they would make a good impression, just as battered automobiles are shined up for the used-car lot. A few of the largest dealers owned their coasting vessels for shipment of slaves, which were on schedule runs during the season, while others used the regular ships and river boats. Sometimes gangs were taken overland in "coffles," the men and able-bodied women on foot and chained together in double columns, the children and infirm, though ordinarily the gangs going South included few of these, riding in wagons. The white men in charge rode horses. About twenty-five miles a day was the common march when the slaves got used to it. The domestic trade, even where the slaves were moved long distances, never approached in inhumanity of treatment the African trade, though the iron collars were sometimes riveted on and a blacksmith was required to cut out of the coffle Negroes sold at way points. Late in the period many slaves were moved South by railroad.

Prices of slaves at least quadrupled between 1800 and 1860. Hammond in 1858 said that "The very negro who, as a prime laborer, would have brought $400 in 1828, would now, with thirty years upon him, sell for $800." Average prices of considerable gangs in the selling states during the fifties ranged from about $700 to $1200. Slaves would sell for a fourth to a third more in New Orleans than they had brought in the border states, which left a handsome profit after deducting the cost of transportation, keep, and resale. In other southern markets distant from the great port of New Orleans there was a further advance. After slavery and the cultivation of cotton became one and the same thing, the price of prime field hands (unskilled but strong young men seventeen to twenty-five years old) fluctuated roughly with the price of cotton.

At the end a prime field hand would bring in New Orleans $1800.[1] Of course the prices of slaves and of cotton rose and fell with the general business cycle, dropping off in depressions, climbing in recovery. Some special causes of higher slave prices were the closing of the African trade, the tariff of 1828 which made sugar production more profitable, and the demand for slaves in railroad construction in the fifties. Declines in slave prices would have been sharper and deeper except for the constant movement to new lands needing slave labor.

Women and Children, and Hirings

Slave women sold, grade for grade, at about three fourths of the prices fetched by men. Mothers with young children were less desired in the Far South and Southwest, but elsewhere their prices were enhanced by the children and by the proof given of fertility. Infants were worth from one hundred to two hundred dollars. Ordinarily a child up to seven or eight years old was worth more with its mother than separated from her, but after that age the reverse was the case. Boys of seven, eight, and nine sold for half or more than half as much as men. Prices of skilled slaves, of which there were many, were much above those of common hoe or plow hands. Carpenters, plasterers, painters, bricklayers, millers, pilots, shipwrights, blacksmiths, cabinet-makers, coopers, shoemakers and saddlers, dressmakers, tailors, barbers, plain and fancy cooks, confectioners, midwives, coachmen, and so on, might go for twice as much as those with no special proficiency, and did not lose their value so rapidly after the age of forty. These were found mostly in the cities, of course, but every plantation of size needed its mechanical and other specialized workers. The number of these and the value put on their services, as shown by advertisements and bills of sale, prove that the Negro does not lack aptitude for acquiring skills if given opportunity. Besides the trades, slaves were employed in cotton mills, ironworks, and mines. It was only after slavery was abolished and the whites made a superior bid for employment that doubt was cast on the manual dexterity of Negroes.

A peculiarly disreputable feature of slavery was the trade in "fancy girls," light-skinned and beautiful young women bought ostensibly as parlor-maids or hairdressers, but really as concubines. Their prices were high, often five thousand dollars and up. This was one of the several low points reached by the "chivalry" of the ante-bellum South.

[1] See the graph in U. B. Phillips, *American Negro Slavery*, p. 370.

Fathers sold their daughters, nearly as white as themselves, if that was any recommendation, into immorality.

A disadvantage of slavery, as a labor system in a competitive economy, was that the term of service was too long to meet merely temporary needs. Buying and selling cured this defect to some extent and transfer from one part of the South to another had something of the same effect, but the more important expedient was hiring. In all of the cities, especially, there were active hiring markets, the term running from the first of the year to the day before Christmas. The hire was from 10 to 20 per cent of the selling price of the slave. Those who could not afford to own a slave or two shared in the respectability of proprietorship by hiring. Most of the hiring was through agents, with offices in the cities, or itinerant through the country and smaller places, who charged 7½ per cent for finding the temporary master or mistress, drawing the papers, seeing to the security, making collections, and taking care that the slave did not lack medical attention. But many times slaves, furnished with a letter directing the prospective employer to the owner, were trusted or compelled to hire themselves. Hirings were usually in the vicinity of fifty miles or nearer. Insurance of life and limb on hired slaves was rare, which was one reason for the high rates charged.

Children figured prominently in the slave trade, some dealers specializing in them. Not only orphans, but others large enough to work, were sold away from their homes, or mothers were sold with their youngest children, while the older ones, though still small, were kept behind. Only Louisiana made anything like effective legal provision against the bringing-in or sale within the state of children under ten without their mothers, and even here the statute was disregarded. Where it was claimed that families were sold together, "family" often did not include the father. Advertisements for runaways many times said that the fugitive would probably try to make his way back to his old home. These innumerable instances contradicted statements of whites that the slaves submitted lightheartedly to having old ties of places and people severed.

Leaders of the Slave Revolts

Nothing is oftener met in justifications of slavery than the assumption that the Negro was servile by nature, inferior in intelligence and spirit to the white race, and could be nothing but a miserable savage unless in subjugation. This comforting premise was refuted by the history of Negro slave revolts covering the entire period of the institution. They

occurred wherever slavery existed — in North and South, country and town, and even on the decks of slave ships at sea. The terror which these insurrections produced in the masters was evidenced by the cruelty with which they were punished, the repressive measures to prevent recurrence, and most of all, perhaps, by the doubts which they raised as to the feasibility of slavery.

Everything depends, in the narrative of revolt, upon who tells the story. It has always been so. The masters, in whatever country or time, would make it appear, where they give notice to the happenings at all, that the leaders are persons demented, or are misled by others, and deceive their ignorant followers. Thus, men who were heroes, if they had their own historians, are pictured as mere murderers and bandits.[1]

In the case of American slave risings there were few contemporaries to do other than condemn criminals and warn against similar desperate attempts. The Negroes left no records except in the testimony of traitors and in the work of the hangman and the faggot. Years after emancipation inquiry has rescued particulars which set these insurrectionists in a remarkable new light. That their efforts were hopeless is all the more evidence of their courage and devotion. The strength of the purpose which impelled them is seen in the obstacles which they encountered. The slaves whom they must rouse were watched, confined in movement, kept illiterate, and schooled for generations in the consciousness that to lift a hand against a white person was both mortal sin and corporal doom. The slaves had no money for arms, no influence with the powerful, no voice beyond the immediate locality. Under these circumstances the resolution and thoughtfulness with which plans were concerted were astonishing.

The attempt was regularly made, on the part of the masters, to show that the rebels had been put up to their rash acts by outsiders — by degenerate whites who had debauched the blacks, by abolitionist agents, by antislavery talk in Congress, by free Negroes, by getting wind of the French Revolution or of revolt in Haiti, even by meddlesome Indians. This was all in the effort to obscure admission that the slaves themselves were capable of hatching and executing mass strokes for freedom.

[1] In Moscow, in the great square before the Kremlin, is a circular stone platform the size of a railroad turntable where rebels, down through the centuries of czardom, were beheaded and sometimes quartered as horrible examples to the cringing multitude. Since 1917 this place has become a shrine of the Soviet Revolution. Diligent research and affectionate memory have revived the salient facts about the executed leaders of protest, and have placed their stories in libraries and picture galleries.

Masters lived in terror of "servile insurrection" because they knew that such risings were but paying them back in their own coin, epitomizing in an instant all the violence meted out to the slaves from African capture to the latest day of plantation demands upon them. Revolts lent a touch of dignity to the slaves, and dignity was the one quality which masters could not meet.

Southerners professed to be unable to understand why it was that the Negro leaders of revolts were often in superior positions themselves, with freedom, some education, trades, and property, or were slaves who had been trusted by their masters. The answer is not far to seek. The most ignorant and oppressed might be driven by his wrongs to strike back or to flee, but to organize the participation of others required imagination, perhaps reading, and some travel — in a word, the enjoyment of opportunity. This has been shown through the centuries; it was as true of John Ball and Wat Tyler in the Peasants' Rising of 1381 in England as in the outbreaks of blacks in Virginia and South Carolina. So the black codes of laws governing Negroes, made stronger after each prominent threat to the whites, struck at every privilege which might elevate men to a level of discontent. In one way and another they proscribed schooling, hiring out the services of slaves in trades, coming into the states or even residence there of free Negroes, and the holding of property by Negroes. Laws stimulated attempts, mainly by the American Colonization Society, to settle Negroes outside the country. The insurrections did much to make the South unreasoning in its defense of slavery, to sharpen fear of all abolitionists and their talk and writings, moderate or not, and to widen the breach between sections which led to secession. Thus the humblest who rose against their masters, though at the time betrayed by those they would help, and hunted down in the swamps and shot, hastened the day of emancipation.

The number of slave insurrections, either discovered while still in the plotting stage or partially carried out, was great. Three are better known than others — Gabriel's Revolt in Richmond, Virginia, in 1800; that of Denmark Vesey in Charleston, South Carolina, in 1822; and Nat Turner's Southampton (Virginia) Insurrection in 1831.

Revolts of Gabriel and Vesey

Gabriel was a slave in Henrico County near Richmond, had been taught to read by his mistress, and seems to have identified himself with the Samson of the Old Testament as the intended deliverer of his people.

He had some idea of military organization and tactics, which he may have acquired from a veteran of Yorktown, and did something to warrant the title of "General" by enlisting in his scheme more Negroes in a wider area than did most of the insurgent leaders. Two slaves of a citizen of Richmond betrayed plans to collect the rebels in Henrico, kill slaveholders there, and march on Richmond. Here some would set fire to the lower end of the city to attract attention to that quarter, while the main body took possession of the magazine, arsenal, and treasury at the capitol square. Nobody knows their further plans or whether they had matured any. Governor James Monroe, forewarned, strengthened the guards in Richmond and Henrico, and forty of the suspected conspirators were captured and executed, including Gabriel. A halt was called to the executions because those accused were, after all, valuable property.

The man called Denmark Vesey was stolen from Africa when about fourteen, was sold to a master in San Domingo, but was soon returned to the seller, Captain Vesey of Charleston, because he was subject to epileptic fits. He sailed with the captain on slaving and other voyages for twenty years, coming to know several languages. Winning fifteen hundred dollars in a Boston lottery, he bought his freedom and successfully followed the trade of carpenter in Charleston. He read all of the antislavery literature he could get his hands on. He rejected an opportunity to emigrate to Africa, preferring to work for the liberation of slaves in America. Having got some property, he quit carpentering and gave his whole time to planting in the Negroes of Charleston and surrounding country a resentment of their slavery. He read to them at his house, and exhorted from Bible texts. After several years he had selected able lieutenants who were to lead companies of slaves converging on the arsenals and gunsmith shops of Charleston, set the city on fire and destroy the white people. A Sunday in June, 1822, was chosen for the assault. Sunday was in several instances the day selected by the slaves to strike their blow, because nobody remarked their congregating for religious services.

The plans of this Charleston revolt excluded house-servants as being likely to betray their fellows. One such servant got wind of it. The methods of the courts and police were summary; it would be difficult to imagine conditions in which defendants had less protection. Thirty-seven were executed and a larger number transported. It was believed that at least three thousand slaves knew of the plot. Pikes and daggers had been prepared for the first silent assault. The rising was planned entirely by Negroes.

As a sequel, South Carolina began to enforce the law placing a prohibitive tax on free Negroes coming into the state, imprisoned free Negro seamen coming into Charleston Harbor, required that all free Negroes living in the state should have white sponsors, restricted the hiring-out of slaves because this had permitted them to move about and to get their hands on a little money. It was made a prison offense to teach any Negro to read and write.

Nat Turner's Insurrection

The Southampton Insurrection of 1831, led by the slave Nat Turner, did more than any other of these outbreaks to array the protagonists and attackers of slavery in the contest that led to the Civil War. It came later than the revolts of Gabriel and Vesey, and at a time when Southerners were heatedly defending the planting economy against the highly protective tariff of 1828 which was looked upon as further evidence of the hostility of northern industrialism. This insurrection occurred, moreover, in tidewater Virginia, and gave the up-country people west of the mountains, who had few slaves and prized the free labor system, the best excuse for declaiming against the slaveholding interest and the danger it brought on the state. Further, this was a rising planned and carried out entirely by slaves, and, not least, it was put down only after fifty or sixty white people and twice as many Negroes had been killed.

Three fifths of the population of Southampton County, midway between Richmond and Norfolk, was slave. Many knew Nat Turner as a lay preacher. He was the son of a native African, his father having escaped from slavery and gone to Liberia. Nat was a precocious lad. He early learned to read and write and later showed a marked mechanical and even inventive turn. Though Nat long nursed his ambition to liberate the slaves, he gave his secret to only half a dozen confederates, trusting that other slaves would join them once their masters fell.

After a day-long conference in the woods, Nat and his small band began the work of murder at the Travis plantation, where Nat was a slave, and proceeded from house to house killing men, women, and children, and picking up slave companions, guns, and horses. Many of the white people were away at a "camp meeting," which made the plantations relatively defenseless. Nat and his followers met no opposition for two days, when they were routed and scattered. Soon troops were pursuing them into the swamps, where more than a hundred were

killed. Nat Turner hid out in the woods for some weeks, but was finally captured and executed with a score of others.

The Nat Turner Insurrection produced the memorable debate in the Virginia Legislature of 1831–32, in which men from the western part of the state pictured the injury which slavery was working upon the commonwealth, and appealed for rapid extinction of the system. The tidewater counties would not listen; their rejoinder was to vote down every plan for getting rid of slavery and to impose harsher laws in the attempt to prevent new rebellion.

Additions to the Black Code were made in other slave states as a consequence of the Southampton Insurrection. In Virginia Negroes were forbidden to preach, since Nat Turner had been a preacher. Severe penalties were enacted for teaching Negroes to read and write. Free Negroes could not remain in the state without permission. It was a capital crime, after the first offense, to print or write anything inciting slaves to rebellion. More than a hundred Negroes were colonized from Southampton County to Liberia. Neighboring states forbade the immigration of free Negroes, or even of slaves, whom they expected to come pouring in as a result of the Virginia purge. All of these laws were prompted by the fear that Nat Turners, all unsuspected, might be lurking in every slave cabin.

Fugitive Slave Laws

Since four of the states had abolished slavery by the time the Constitution was formed, slaveholding states of the South demanded a clause in the document which would prevent their slaves from flying to freedom. The result was Section 2, Article 4: "No person held to service or labor in one state under the laws thereof, escaping into another, shall in consequence of any law or regulation therein be discharged from such service or labor, but shall be delivered up on claim of the party to whom such service or labor may be due." It was at length decided by the Supreme Court that Congress had exclusive power of legislating as to the mode of investigating claims to escaped slaves.

Two federal acts were passed. That of 1793 gave to the master of a fugitive slave, and to his agent or attorney, the right to seize the person claimed to be a fugitive and to take him before a federal judge in the state or before a local magistrate. Upon furnishing proof to the satisfaction of judge or magistrate that the accused had fled from slavery, the master or his agent was to be given a certificate which was warrant

for taking the fugitive back to the state in which he was a slave. The second act, that of 1850, which formed part of the omnibus compromise of that year, strengthened the hands of the master, and correspondingly jeopardized the alleged fugitive in several ways. In addition to judges, commissioners appointed by the federal circuit courts were now empowered to hear cases. Just as under the earlier act most of the pursuers had chosen to go before justices of the peace instead of before United States judges, so under the Act of 1850 the commissioners were almost the exclusive resort. They were appointed, not elected; they were assumed to be men who had sought the position because of the fees which they were empowered to collect for their services. The fee was ten dollars if the accused was adjudged a fugitive, but only five dollars if he was released. The temptation to decide in favor of the master was, and was intended to be, powerful. Under both acts, *ex parte* affidavits on behalf of the claimant were admitted at the hearing. In the Act of 1850 such evidence was expressly made admissible to prove identity. These three provisions — giving the decision, not to a jury, but to a single commissioner, allowing the commissioner a double fee if he decided in favor of the master, and admitting poor proof of identity put the accused at an extreme disadvantage.

Identity, had examination been judicial and thorough, was hard to prove, but was easily accepted under the law as it stood. Often the master had not seen his fugitive slave for a long time, in which changes of appearance took place which rendered identification conjectural. Where a friend or attorney acted for the master, the proofs offered were open to even greater question.

The Fugitive Slave Act of 1850 contained another provision which riled the free states. The marshal or any other person directed by a commissioner's warrant to arrest a supposed fugitive was empowered to "summon and call to their aid the by-standers, or *posse comitatus*, when necessary to insure a faithful observance of the clause of the Constitution . . . and all good citizens are commanded to aid and assist in the prompt . . . execution of the law. . . ." Nobody refused to help in the arrest of a disturber of the peace, or felon, when called upon by a peace officer, but most men objected to seizing an innocent person.

Did the capture and return of one claimed as a fugitive, as thus outlined, end the matter? In theory no, but in fact yes. After removal to a slave state he might sue for his freedom. But in most instances he had to find a white person who, as his guardian, would act for him in the suit. No testimony but that of a white person was admitted. In

most slave states the burden of proof lay upon the plaintiff (the Negro or his guardian); in North Carolina the presumption of guilt was confined to full-blooded Negroes. Further, if the suit proved groundless, the white person acting for the Negro must bear the whole cost, and in some slave states the Negro was to be given corporal punishment short of deprivation of life or limb. Under such hostile circumstances the chance of winning freedom was less than bright. Neglecting everything else, assuming that the Negro was wrongfully held in slavery, he was far from his home and friends, and virtually unable to produce witnesses to prove his freedom. The fugitive slave laws, particularly that of 1850, were feeding the fires of abolition.

Underground Railroad

The "Underground Railroad" was said to have been given its name by a Kentucky slave-owner, who closely pursued his escaping Negro to the Ohio shore at Ripley only to have him vanish, as though the earth had swallowed him. Its chains of "stations," kept by "conductors," formed the "lines" over which thousands of slaves made their perilous way to freedom. Because of the operation of the fugitive slave laws in the North and West, Canada was the only sure haven, and there were established, before the War of 1812, colonies of escaped Negroes. Some of the colonies of runaways were north of the Great Lakes, where the cold climate and utterly different agriculture testified how highly the fugitives prized freedom. The lines of the Underground Railroad ran thickest from Maryland into southeastern Pennsylvania, where Quakers were the most active "conductors"; from Virginia and Kentucky across the Ohio River into the states of Ohio and Indiana, and from Missouri across the Mississippi into Illinois. Arrived in New England, the escaping slaves were worked up to Canada by several routes.

Of course, the most dangerous part of the journey to liberty was that through the South, yet many made it from South Carolina, Georgia, Alabama, and Louisiana. Sometimes exceptionally devoted and ingenious "conductors" came for them. Harriet Tubman, herself an escaped slave from Maryland, was the most daring of those who penetrated hostile territory from the North. She returned nineteen times and took out three hundred slaves. Her ruses were as never-failing as her courage. She demanded absolute obedience from her charges, and, once they committed themselves to her care, she would threaten them with her cocked pistol if they hesitated. Another was John Fairfield, a young

Virginian of a slaveholding family, who took this practical way of expressing his abhorrence of the southern labor system.

All who had to do with the Underground Railroad, as friends or foes, were impressed with the effectiveness of the slaves' own "grapevine" telegraph, which silently and quickly bore information on routes of escape. Their spirituals, which belonged to them as their very own, furnished a rich symbolism which carried messages of chariots conveying to Zion. If we must admire the ever-ready response of the many who kept the stations of the Underground Railroad and lent willing hands and brains in its work, we must give more credit to the fugitives who used its services. Not only the longing for escape, but sense and stamina were necessary in order to be helped. Failure might well mean injury in capture and galling punishment on return to bondage.

Aside from intrepidity, the dramatic ability of the Negro was not better shown than in the fidelity with which he carried out the rôles self-assumed or assigned by abettors. Light-skinned women might pose as white masters, their husbands as their coachmen; inability to write was concealed by carrying the arm in a sling; some were corpses, in coffin and hearse; Henry "Box" Brown went the length of having a white confederate nail him in a crate and ship him from Virginia to Philadelphia. Children were the greatest problem, paregoric notwithstanding, but mothers who got out with part of their tribe were known to return for the rest.

Slave-catchers, spurred by the rewards offered, and secure under the national Fugitive Slave Law, lurked along the favorite escape routes. The posse might be big enough to picket all the roads in a considerable radius, so the "freight" would be temporarily trapped. At such times, clever ways of bringing passengers from one friendly hand to another were essential. Henrietta Buckmaster (*Let My People Go*) tells of a small slave boy put on an "abolition horse" which took him into the gate of the next station eighteen miles distant.

Slaves who had made good their escape, had settled and were self-supporting in the North, and then were retaken and condemned by the law to be returned to their masters, were ammunition for the abolitionists, and attracted wider public sympathy for the cause of freedom. The case of Anthony Burns in 1854 added to the indignation of Boston over the law that had just invited slavery to take over Kansas and Nebraska. A Faneuil Hall mob attempted his rescue from the courthouse; later, when the commissioner decided against Burns and consigned him to his master, a thousand troops and police guarded him through a hostile

throng to the waiting United States revenue cutter which took him back to Virginia. The proceeding was said to have cost the government forty thousand dollars. But the spectacle of a federal vessel sent to take a man back to slavery cost the nation much more in the sequel, for the Anthony Burns case helped to harden northern resistance to slavery.

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Chapter 22

Antecedents of the Civil War

THERE WERE IN 1860 about a quarter of a million free Negroes in the South, and approximately the same number in the North, concentrated just above and below the line dividing the sections. The vast majority in slavery prevented the free Negroes from rising in achievement and esteem, and at the same time the fears which whites had of free Negroes were used to tighten the bonds on the unfree. This inevitable antagonism fostered total abolition as against gradual emancipation. Freeing of slaves was relatively most common in the Revolutionary period when the rights of man were so much proclaimed. When the African trade had been stopped, the institution became more domesticated, and cotton, rice, and sugar production were so profitable that southern manumission societies sharply diminished in number and the free colored population grew by only ten per cent a decade.

Laws excluding freedmen from coming into or even residing in the state were general in the South and exclusion and other discriminations were frequent in the North. It is difficult to say in which section the free Negro met more obstacles. He enjoyed few civil liberties anywhere. Though the wording of the statutes was severer in the South, he probably had more economic opportunity there, especially in the trades, than in the North. Fanny Kemble said of those in the North: "They are free certainly, but they are also degraded, rejected, the offscum . . . of . . . society. . . . All hands are extended to thrust them out. . . ."

Figures were often cited to show that crime was much more prevalent among free Negroes than among whites and in the North more than in the South. The lack of economic opportunity was primarily responsible in both sections. Also, generally in the South and frequently in the North, Negroes, though free, were not permitted to testify against whites. Free Negroes were excluded from white schools in the North, and there were next to no educational opportunities for them in the South. At New Haven, Connecticut, in 1831, white citizens, including members of Yale College, effectually protested against the founding of a college for

Negroes at that place, and a school for colored girls, conducted by a white woman at Canterbury in the same state, was soon driven out.

Some free Negroes, after finding their hardships insupportable, chose to sell themselves into slavery, often for a nominal sum or for payment to a relative. Many more, children and adults, were kidnaped and enslaved. This was not hard to do, because of the slight protection given to Negroes under the fugitive slave acts, because the presumption was that a Negro's status was that of a slave, and the victim of subterfuge and violence was generally poor and friendless. Certain cases, however, became notorious and strengthened the hands of abolitionists.

Free Negroes rarely took chances to emigrate to Liberia, Haiti, or British Guiana. Not a few free Negroes succeeded in the South in spite of the discriminations against their caste. Some who had bought their own freedom purchased the liberty of wives and children. A few came to be rich, especially in South Carolina and Louisiana, and often owned slaves. In some cases these slaves were relatives purchased to give them protection, but oftener they were held for their labor value.[1]

Garrison and His "Liberator"

Eradication of slavery, and not the freeing of a few with doubtful results, waited on cumulative forces. More than others, it was William Lloyd Garrison who dramatized the demand. One who heard an early speech exclaimed: "That is a providential man: . . . he will shake our nation to the centre, but he will shake slavery out of it." A biographer has said that "It was Garrison who caused the heat-lightning of 1825 to turn into the thunderbolts of 1835." Before Garrison sprang to the front of the abolition crusade, the temporary acquiescence of the North and of many of the wisest men of the South, which marked the period of the Declaration of Independence and the Constitution, had dragged out into an indefinite patience with slavery. The antislavery movement was on the whole mild and expedient. It left reform to action of the states rather than appealing to the conscience of the nation, or dissipated moral indignation in impracticable schemes of gradual emancipation and distant colonization. Quakers — South, North, and West — were the only flame on a hearth that had sunk to embers. Caution and conciliation were the watchwords of those who deprecated slavery.

[1] Witness a joint letter to a New Orleans newspaper on the eve of the Civil War: "The free colored population [native] of Louisiana . . . own slaves, and they are dearly attached to their native land . . . and . . . are ready to shed their blood for her defence. They have no sympathy for abolitionism; no love for the North. . . ."

Yet the situation was approaching a crisis which called for and gave opportunity to a fierce and dogmatic contender of the stamp of Garrison. The growth of industrialism in Europe and America was emphasizing free labor, its problems and rights. Repudiation of slavery was approaching its triumph in the British Empire and in South America. The agricultural and aristocratic society of the southern states was on the defensive, not only for wrongs to the blacks, but because of the poverty and ignorance in which it held the mass of the whites. In outward aspects the South seemed strong. Threatening disunion unless it gained its demands in geographical extensions of slavery, it exacted tender treatment in Congress and country. But to the clear eye the weakness of the South's position was apparent. Beneath the stridency of its leaders was fear — fear of world distaste for what was rapidly becoming their peculiar institution, fear of slave insurrection. Antislavery advocates within the South, such as Birney and Lundy, could be driven to the border states; answers could be summoned against the arguments of British emancipationists, and Congress could be bullied; but how protect against the fact and the logic of slave revolt? The enemy was within the gates, in the persons of a black carpenter in Charleston, of a black preacher in Southampton County, Virginia. These were the terrible meek. The fear which was seizing the South bred coercion of all sorts — to put down factions counseling emancipation, to put down discussion, and reading, and thought. The tyranny which the South imposed upon itself and attempted to impose upon the nation, which outwardly seemed to be its armor, in reality weighed it down, made it a fixed target for attack.

William Lloyd Garrison became the attacker at this historic moment. He was born in 1805 in Newburyport, Massachusetts, to a youth of poverty and struggle. He abandoned apprenticeships in cobbling and cabinet-making and took with avidity to the third trade of printer. He was editing a temperance paper in Boston when a meeting with Benjamin Lundy set him on his course in life. A sincere teacher never had a more brilliant pupil. Lundy, a Quaker, had printed and peddled antislavery papers in Ohio, Tennessee, and Baltimore, and escorted emancipated slaves to Haiti. He trudged through many states lecturing and begging subscriptions. He was of weak voice, somewhat deaf, and had not a dollar. Gentle, permitted to preach immediate and universal emancipation to Southerners, he yet fired Garrison when they learned to know each other in Boston in 1828. Garrison had Lundy's single-minded devotion to a cause, and he had besides presence, voice, health,

youth. The two struck up partnership in an abolition paper in Baltimore, but Garrison from the first ran ahead of Lundy in the ardor of his denunciations of slavery. Jailed for libeling a Newburyport shipowner who carried slaves from Baltimore to the South, he left Lundy to carry on *The Genius of Universal Emancipation* alone, began lecturing in Boston, and brought out there, January 1, 1831, the first number of the *Liberator*. The pressroom, composing room, editorial office, bedroom and dining room of Garrison and his partner, Isaac Knapp, were all one — a dingy, bare attic. The boys — they were hardly more — lived on bread, milk, and fruit bought from the shops below, but from the first the vigor of the paper suggested a diet of red meat.

The first number of the *Liberator* contained the celebrated declaration which, as the years were to prove, summed up Garrison's style of fighting:

> I shall strenuously contend for the immediate enfranchisement of our slave population. . . . I *will be* as harsh as truth, and as uncompromising as justice. On this subject, I do not wish to think, or speak, or write, with moderation. . . . I am in earnest — I will not equivocate — I will not excuse — I will not retreat a single inch — AND I WILL BE HEARD.

Garrison was the moving force in forming the New England Antislavery Society in Boston in 1832, which gave the *Liberator* moral and money support. The next year he went to England, persuading the leading emancipationists there against the claims of Americans who were content with colonizing freed slaves in Africa. On his return, with colleagues such as Arthur Tappan, Elizur Wright, Jr., and John Greenleaf Whittier, he organized the larger American Antislavery Society, which, growing rapidly, by 1840 was the center of some two thousand branch societies with more than 150,000 members; the parent society had an income of nearly $50,000.

Through these organizations, his paper, and public meetings, Garrison kept up an incessant din for immediate, unconditional emancipation. His was a moral appeal which scorned expediency, and as one year's striving was piled on another, the moral fire burned away every support of ballot and legislation, and nearly the brazier which held it, until it seemed just a suspended incandescence; that is, he came to repudiate political action, especially as embodied in the Liberty Party, formed by middle-western abolitionists in 1840. It was not long before he was excoriating the Constitution of the United States, as being, in Scriptural language, a covenant with Death and an agreement with Hell. He burned the Constitution on Boston Common in 1854. The Constitution

recognized slavery; slavery "as a component part of the Union" was "necessarily a national interest. Divorced from Northern protection it dies; with that protection, it enlarges its boundaries, multiplies its victims, and extends its ravages."

Abolition Versus Colonization

Garrison came as near as anyone to being the total reformer. Robert Owen at New Harmony had given powerful impetus to women's rights, temperance, peace, and religious heterodoxy. Garrison alienated some of his staunchest supporters by adding these other reforms to his abolition crusade. All foes and many friends objected to his vigor of phrase in denouncing slavery and slaveholders and their apologists. His vituperation was lyrical. To slavery he gave no quarter, and from its friends asked none. By his inveterate broadcast of charges and condemnations he made the hackles of Southerners rise. The South for a time tried to persuade the North to shut the mouths of Garrison and his abolitionists. Georgia put a price on his head, Governor McDuffie of South Carolina appealed to the authorities of Massachusetts to stop his press and propaganda. Bostonians, fearing loss of southern trade, demonstrated against abolitionists, and in 1835 Garrison was snatched, rope around him, from a Boston mob and lodged in the jail for his protection. Southerners, besides being tender on every other point, claimed that Garrison was exciting the slaves to rebellion, and thus inviting rape, murder, and arson. Since his flaming figure appeared, it has been the habit of historians to approve the milder censures of gradual emancipationists, and to call them constructive statesmen in contrast to the destructive Garrison. But the South, be it noted, was in a blind fury, and condemned all, even the most conciliatory, as in the cohorts of the hated leader of Abolition.

Garrison's special foil was the American Colonization Society, which had been formed in 1816 and for fifty years sought to plant communities of black freedmen on the west coast of Africa, to thwart the foreign slave trade, and to encourage emancipation. In this time it had collected $1,800,000, but had sent fewer than twelve thousand Negroes to Africa, only half of whom were emancipated for the purpose. As many Negroes were born in one month as were colonized out of the country in thirty years. Transportation of all the Negroes would have cost nearly a billion dollars, could it have been accomplished at all. Garrison attacked the Colonization Society as a dangerous seducer of public

morals. In his view it recognized slavery as a property right, it disparaged free Negroes; it encouraged emancipation only to invoke the punishment of expulsion from the country; it increased the value of slaves; many of its managers were slaveholders. The Colonization Society, with less laudable qualities, wanted to hold the Union together. Garrison wanted to dissolve it to free the North from complicity in slavery.

The principal force in turning the South from the position that slavery was an evil exceedingly difficult to eradicate to vehement defense of slavery as a desirable social institution was the opening of cotton lands in the Southwest. In this evolution of southern sentiment, Garrison was a contributing cause, but the call for slaves in the Mississippi Delta and Texas was the superior one. This huge new demand for cotton and its black cultivators made the South rampant in allegiance to slavery.

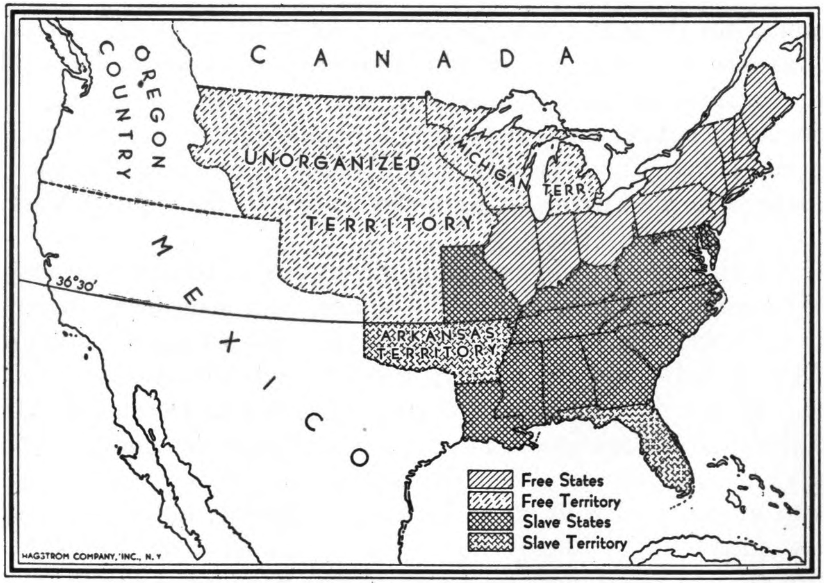
Garrison, Wendell Phillips, and others of like stripe dealt unmerciful blows, unmerciful because they neglected the obstacles in the way of slaveholders who truly wanted to emancipate their human property. Some slave states by law forbade emancipation. There was, too, the heavy inhibition of southern public opinion. But Garrison's disregard of these embarrassments was deliberate and justified. Great social evils, which have for years done violence to the individual and the group, may not be overthrown without retributive violence, without raising a passionate dogmatism which lifts the agitation above precise justice and which shuts eyes to historical excuses. Lincoln said that Garrison was a main force in bringing about the freeing of the slaves. This is good testimony. It would be mere speculation to guess when and how slavery would have been ended had not the struggle over it produced civil war. Perhaps slavery would have died of economic anaemia, and been abandoned by a South which found it too costly to planter and community. No man can tell. But as things turned out, Garrison was the chief moral energizer of a nation which vowed itself to total and instantaneous emancipation.

The Missouri Compromise of 1820

From the outset of our national life, free and slave labor contended for the new territories which our government was embracing. Thus, the West became an apple of discord. Politics reflected the economic struggle and finally became obsessed by it. The "irrepressible conflict" was composed only temporarily by a series of compromises.

The free-soil defenders for seventy-five years repeated substantially the words used by Thomas Jefferson in seeking to ban slavery from the Northwest Territory. In 1784, when claimant states had ceded to the federal government all the region between the Alleghenies and the Mississippi, Jefferson was chairman of the congressional committee to plan the government of this vast domain, which it was expected would be divided into sixteen states. The signal proposal which he submitted was: "Resolved, That after the year eighteen hundred . . . there shall be neither slavery or involuntary servitude in any of said States, otherwise than in the punishment of crime whereof the party shall have been duly convicted to have been personally guilty." This proviso failed of adoption until 1787, when it was passed with the addition that fugitive slaves might be reclaimed from the territory. The southern states consented to the exclusion of slavery because it was now to apply only to the region north of the Ohio River, where probably slavery would not be profitable anyway, and because the Treasury would not receive a large sum from the Ohio Land Company for five million acres unless the area were reserved for free labor.

The measures known together as the Missouri Compromise, or the Compromise of 1820, had a slightly different background. Missouri,



FREE AND SLAVE AREAS AFTER THE MISSOURI COMPROMISE

whose petition for statehood came before Congress in February, 1819, lay in the Louisiana Purchase, which reached from the Mississippi to the Rockies and from the Gulf to Canada. Unlike the Northwest Territory, which had no inherited institutions, the Louisiana Purchase was slave soil by both Spanish and French law, and it kept this character by terms of the treaty with France whereby the United States acquired it. Further, Missouri Territory had slaves, and much of the rest of the Purchase had soil and climate suitable to slavery extension. The area involved was much greater than in the case of the Northwest Territory, so great that the precise limits were in doubt, and thus the results of slave occupancy were more portentous to the North. By the admission of Louisiana as a state in 1812, the North had lost dominance in the Senate. The antislavery movement was more articulate than it had been earlier. Thus to the bill to admit Missouri as a state, Representative Tallmadge of New York offered an amendment "That the further introduction of slavery . . . be prohibited . . . and that all children born within the said State . . . shall be free at the age of twenty-five years." The Northerners, who supported this proviso almost to a man in both House and Senate, contended that slavery was morally wrong, had kept the South backward, and that more slave territory west of the Mississippi would encourage the illicit foreign slave trade.

For the most part the Southerners did not defend slavery on moral grounds, but thought emancipation impracticable, and that spreading the slaves over a wider area would improve their condition and tend to protect against the danger of revolt. The threat of secession from the Union, which later was to be heard regularly, was now uttered by several. Henry Clay, Speaker of the House, at one point revealed his willingness to raise troops in Kentucky to defend the right of Missouri to come in as a slave state.

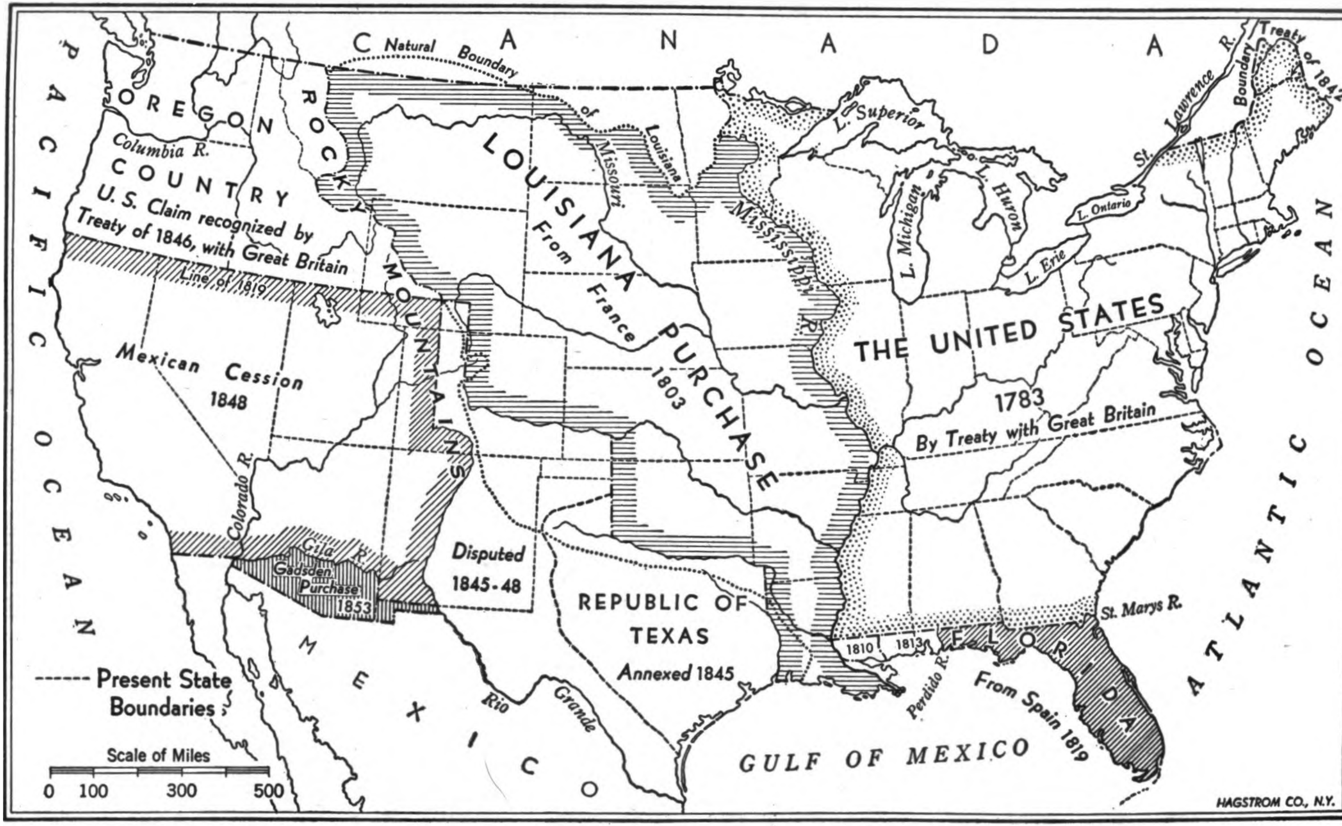
The Tallmadge Proviso excluding slavery from Missouri was adopted by the House, but thrown out in the Senate, both votes being strictly on sectional lines. Thus, there was a stalemate when Congress adjourned in March, 1819, and the country reverberated with discussion of the issue. By the time the new Congress assembled in December, Maine had applied for admission as a free state. This new element gave opportunity for a bargain whereby Maine was to come in as free and Missouri was to be accepted with no prohibition on slavery, but slavery should be excluded from all "the territory ceded by France to the United States under the name of Louisiana, north of 36° 30′ north latitude." This line is the southern boundary of Missouri. Thus, Missouri, with slavery, was allowed to extend into what was henceforth to be free territory.

Wilmot and His Proviso

For the following quarter-century states were admitted in pairs, one slave, one free, to preserve the political *status quo* between contending sections. The next serious snarl came in 1846. Texas had rebelled against Mexico in 1836, and had been admitted to the Union with slavery in 1845. Mexico had never recognized the independence of Texas, while the United States claimed that Texas was included in the original Louisiana Purchase. It was as simple under the circumstances as it was dishonorable for us to provoke war with Mexico. When President Polk asked Congress, on the eve of its adjournment in August, 1846, for two million dollars to be used in the effort to make peace, it was understood on all sides that the money would go as part payment for lands which Mexico would be required to cede to the United States.

To all but a few who did not like the origin of the war and wanted no territory resulting from it, save Texas, here was the prospect of a great prize, a new southwestern domain and the extension of the United States to the Pacific, embracing California all the way up to the recently set Oregon line. Most of this area lying south of the line of the Missouri Compromise, and being thus, supposedly, open to slavery, the South felt certain of its sectional advantage. But the North, from accumulated distrust of the slave power, was as eager to turn the results of the war to the benefit of free labor. The President's request for the two million dollars was hurriedly embodied in a bill. During adjournment of the House for dinner, David Wilmot, a Pennsylvania Congressman, proposed to some of his fellow northern Democrats that the money be voted provided the territory to be bought be forever protected against slavery.

Wilmot figures in too many shorter histories merely as a name, or even as a disembodied parliamentary proposition — the "Wilmot Proviso." He was, in fact, a man of principles, for which he contended simply and stoutly when others, more celebrated as champions, were making concessions for various reasons which seemed good to them. He was at this time thirty-one years old, young at the bar of Bradford County, Pennsylvania, and serving only his second session in the House. He had already shown his independence by favoring the Tariff of 1846 which lowered the duties of 1842, a stand which was to be used against him in a strongly protectionist state. When it was proposed to reduce the sale price of public lands, Wilmot supported an amendment to confine the reductions to actual settlers, fearing that otherwise speculators would reap the harvest. He favored the extension of the first great



TERRITORIAL EXPANSION OF THE UNITED STATES

national highway, the Cumberland Road, across Ohio, Indiana, Illinois, and westward. The first impression gained by the galleries of this plump, blond, ruddy, rather untidy young man was changed to admiration by his high spirit and earnest fluency. He was in 1849 classed as one of a dozen in the House belonging to the new "Free-Soil Party" — really that wing of northern Democrats who refused to placate the slave South. Later he was a principal organizer of the Republican Party, a chief figure in the nomination of Lincoln, a member of the Senate, and lived to see his Proviso, so long abortive, become the Thirteenth Amendment to the Constitution.

That hot August night in the House Wilmot ended a short speech by offering the amendment:

> *Provided*, That, as an express and fundamental condition to the acquisition of any territory from the Republic of Mexico by the United States, by virtue of any treaty which may be negotiated between them, and to the use by the Executive of the moneys herein appropriated, neither slavery nor involuntary servitude shall ever exist in any part of said territory, except for crime. . . .

In this, as Wilmot himself said afterward, he "was but the copyist of Jefferson." The Proviso was accepted in the House with the bill, but in the Senate adjournment *sine die* came before a vote could be taken.

Reintroduced in the House in the next session, the Proviso was the subject of a debate even longer and more rancorous than the slavery issue had caused before. In the records of the debate one can see the cauldron bubbling preparatory to boiling over a dozen years later. Free and slave labor were marching in mighty strides across the continent to the West. Which should possess it? Political power of one or the other interest was subordinate in importance to the known economic consequences of the two sorts of civilization. Wilmot pointed out that Virginia, once supreme, was "now . . . outstripped by States that have grown up within the memory of the present generation. . . . What is the cause of this disparity? It is slavery, sir, and that alone."

The Wilmot Proviso passed by a comfortable margin of votes in the House. It was again killed in the Senate, the House agreed to the bill without the Proviso, and so for the time being slavery was removed as a cause of legislative dissension. But the Senate debate showed clearly enough that the antagonisms which gathered about the Wilmot Proviso would continue and flame up at intervals. John C. Calhoun struck the note which was dominant with him and became dominant in the whole

South. The North, from its aversion to slavery, was refusing to share the Union with the South. Disunion loomed in his words. And Daniel Webster, while agreeing that the Senate must "take security now that no more slave States shall ever be added to the Union," was filled with alarm for the future. And he forecast his action of 1850 in trying to bring harmony.

The Compromise of 1850

Then came the compromise to end all compromises — that of 1850. President Zachary Taylor sent to the House the constitution just adopted by California. It excluded slavery. The South, which had recently stood for the determination of this question by the people of the territories, rather than by the federal government, did not like local option when it was exercised for free labor. If California were admitted with her constitution, the Missouri Compromise would be undone, for California extended into the latitudes presumably reserved for slavery. The clamorous debate seesawed for six months to the neglect of everything else.

The aged Clay had come back to the Senate to try to re-enact his old rôle of peacemaker between North and South, between free soil and slavery. He surveyed the mounting antagonisms and offered for their adjustment resolutions which most men believed had appeased both sides and assured a passable agreement. It took Clay two days to explain his series of measures. He believed in the principle of excluding slavery from the territories, but would not apply it to New Mexico and Utah because there was, in fact, no likelihood that slavery could thrive in them. In his "seventh of March" speech Daniel Webster made even more of this point. Why anger the South with a taunt when Nature had decreed that Utah and New Mexico could not support slaves? Those who disagreed with Webster, like Horace Mann, wanted to know whence the information "that God has Wilmot-Provisoed New Mexico. . . . Does not slavery depend more on *conscience* than on *climate*?" Webster seemed to the strong antislavery men a fallen angel.

Calhoun, about to die, but never to surrender, had to deliver his last blast through the mouth of another, his speech being read for him while he sat by in a wheel chair. It was the South sinned against, demanding protection for her constitutional rights, even though these defended economic practices which had lost the approval of the country as a whole.

The upshot of it all, however, was that California came in as a free state, giving the North a majority in the Senate; New Mexico and Utah were to be organized as territories without the exclusion of slavery — that is, slaves might be taken to them, and when these territories became states, slavery could be confirmed or disallowed as the people chose; a fugitive slave law was drawn up more favorable to the masters; and the slave trade, but not slavery, was abolished in the District of Columbia.[1]

Each new clash between the slavery and free-soil forces pushed the country closer to the brink of civil war. This is now clear, but it was also seen by many at the time. The Kansas-Nebraska Act, with the turmoil which followed it, was a prominent milestone in this fatal progress. Senator Stephen A. Douglas of Illinois was one who had long been interested in legislation for the remaining unorganized territory loosely known as Nebraska, an area of 485,000 square miles, twelve times as large as Ohio, larger than all the existing free states. It was the unsettled portion of the Louisiana Purchase.

The Kansas-Nebraska Act

A bill to organize the Nebraska Territory passed the House in 1853, but was tabled in the Senate. Douglas was chairman of the Senate Committee on Territories, and early in 1854 reviewed the whole matter in a report which made renewed use of the expedient of the Compromise of 1850, that of squatter or popular sovereignty, this time in the northern portion of the Louisiana Purchase understood to have been reserved for free labor. The report said that the acts which made up the Compromise of 1850 "were intended to . . . avoid the perils of a similar agitation, by withdrawing the question of slavery from the halls of Congress . . . and committing it to the arbitrament of those who were immediately interested in . . . its consequences." So the bill which the committee was reporting incorporated the tactic of leaving the exclusion or protection of slavery to the people of Nebraska, not to Congress. Thus, "When admitted as a State, the said Territory, or any portion of the same, shall be received into the Union, with or without slavery, as their constitution may prescribe at the time of their admission."

The bill declared that the Missouri Compromise had been "super-

[1] Salmon P. Chase said the truest thing in the debates, as it turned out: "It may be . . . that you will succeed here in sacrificing the claims of freedom by some settlement carried through the forms of legislation. But the people will unsettle your settlement. It may be that you will determine that the territories shall not be secured by law against the ingress of slavery. The people will reverse your determination."

seded" by the Compromise of 1850, but soon Douglas introduced a substitute paragraph which was more definite in declaring the old agreement abrogated. The restriction of the Missouri Compromise, the bill stated,

> . . . being inconsistent with the principle of non-intervention by Congress with slavery in the States and Territories, as recognized by the legislation of 1850 . . . is hereby declared inoperative and void, it being the true intent and meaning of this act not to legislate slavery into any Territory or State, nor to exclude it therefrom, but to leave the people thereof perfectly free to form and regulate their domestic institutions in their own way. . . .

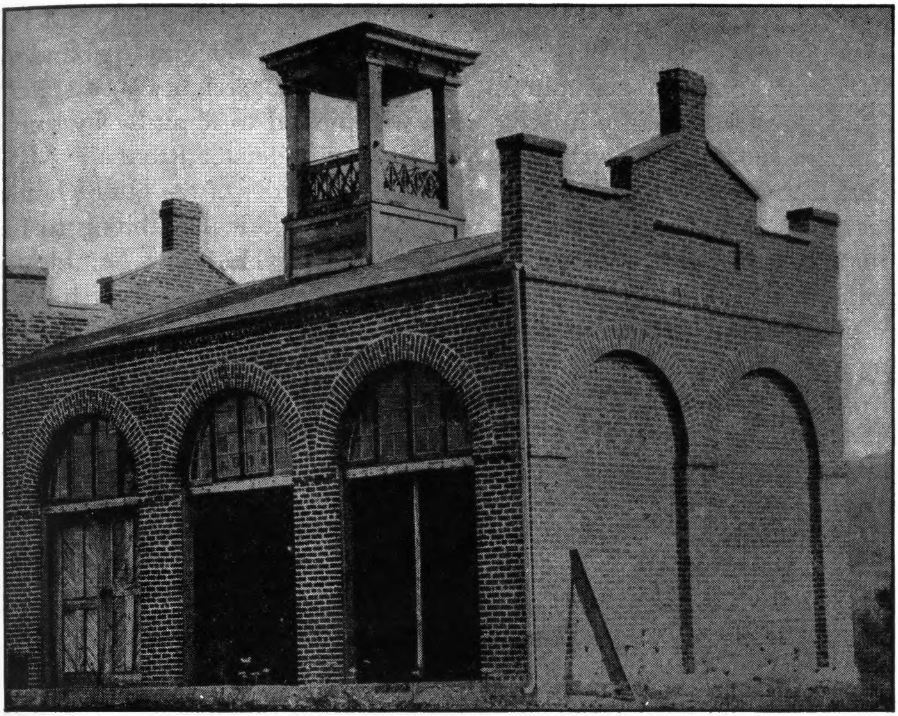
We have seen that the basic forces at work were economic — the need of slavery to reach out for new lands, and, opposing this, the demand of the northern free-labor economy that the great area under discussion should be reserved for westward expansion of American and immigrant

KANSAS

workers, carrying with them varied farming, industrialization, and internal improvements. The reasons which impelled Douglas to abandon his former position and plump for "popular sovereignty" or states' rights, are of secondary interest. He was pushed to it partly by some southern senators who wanted it very clearly understood that the Missouri Compromise was dead, and that the remainder of the public lands were to be open to slavery and partly by his political ambition to be the undisputed leader of the Democratic Party. He might be able to hold northern and southern Democrats together by making a fresh concession to slavery extension on the one hand, and on the other by securing a valuable gain to the free-labor advocates. This last would be by dividing the area into two territories, Kansas west of Missouri and Nebraska west of Iowa. If Kansas adopted slavery, it was taken for granted that Nebraska, from its soil and climate, and being closer geographically to the free states, would reject slavery.

"Bleeding Kansas"

The Kansas-Nebraska Bill roused vigorous criticism, but became law. There were no legal residents in either Kansas or Nebraska. It was taken for granted on all hands that Nebraska would be free. Kansas became the battleground, literally, of the slavery and free-soil advocates. The Territorial Act said that all adult, free, white, male residents could vote, but nothing was said about the length of residence. There were organized rushes into Kansas, proslavery people of Missouri and Kentucky especially forming "Blue Lodges" to collect colonists for the new territory, and, on its part, the Emigrant Aid Company sent in Northerners insistent against slavery. There were election frauds on both sides and armed clashes at the polls and elsewhere. The legislature which was recognized by the governor of Kansas territory was wholly proslavery. Not only did it provide for slavery, but extinguished all civil liberties of citizens who disagreed with this policy. A rival free-soil legislature assembled. The whole Kansas imbroglio was thrown into Congressional debate. Senator Charles Sumner of Massachusetts was the inveterate champion of free labor in Kansas, while Douglas was the backer, if not of slavery, at least of popular sovereignty which had produced a proslavery legislature. These two called each other names. Preston Brooks of South Carolina, resenting allusion to a relative, knocked Sumner unconscious on the floor of the Senate Chamber,



Keystone

JOHN BROWN'S "FORT"; FIRE ENGINE HOUSE OF GOVERNMENT ARSENAL, HARPER'S FERRY, WEST VIRGINIA

inflicting permanent injury. In far-off Kansas, John Brown and his sons slew five proslavery settlers on the Pottawatomie.[1]

The contest over Kansas excited the entire country to the extent that it precipitated a new political alignment. The anti-Nebraska men, as they were at first called, captured the House in 1855, gained adherents from many quarters, political and moral, and called themselves "Republicans." Douglas, referring scornfully to their insistence on the rights of the Negro, called them "Black Republicans." Then came the presidential year. Douglas, for the Democratic nomination, ran second to

[1] Both Massachusetts and Kansas have cities named Lawrence. In spite of the distance between, they are called, significantly, for the same family of New England industrialists. Amos A. Lawrence (1814–86), son of one of the brothers who founded Lawrence, Massachusetts, eager to do something practical to make Kansas and Nebraska free instead of slave states, became treasurer and principal financier of the New England Emigrant Aid Company, which shepherded the first of thirteen hundred settlers in 1854. The object of the company was "to promote the emigration to Kansas Territory of persons opposed to slavery there, and to prevent, by all legal and constitutional means, its establishment there, as well as in the Territory

Buchanan, and finally withdrew in his favor. The Republicans nominated the picturesque John C. Frémont, who appealed to voters as a romantic soldier of fortune, but less as the champion of a great moral and political principle. Buchanan won, but the Republicans swept to victory with Lincoln in 1860, from which time it was painfully clear that cotton and conscience, aristocracy and democracy, feudalism and capitalism, states' rights and nationalism, were to face each other no longer in debate, but on the battlefield.

It was probably true, as many contended, that "to confine slavery was to kill it." Based upon exploitation of the land, staple crops, and extensive as opposed to intensive cultivation, slavery needed new soils to devour while it left exhausted plantations behind it, much as a forest fire moves by consuming new material. If a stop could be put to the territorial spread of slavery, the institution would be doomed economically and politically. There would be no need for a great surplus of slaves in older areas, the white masters could not even feed their blacks, and representatives of free states in Congress would be dominant.

As we have seen, the question of checking the extension of slavery had often come forward. Each time the issue was presented in Congress, the free-soil provision of the Ordinance of 1787, or the spirit which dictated it, had been whittled at by southern interests, as in the Missouri Compromise of 1820, rejection of the Wilmot Proviso to prevent slavery from being recognized in any territory taken from Mexico, in the Compromise of 1850, and the Kansas-Nebraska Act of 1854. Cautious men had used what would now be called "appeasement" of the South, and thus had deferred decision on a question which became ever more critical and more fraught with danger to the Union.

The Case of Dred Scott

The Dred Scott decision of 1856 looked like final success for the South, declaring as it did that the national government could not prohibit slavery in the territories. But it proved a brief victory before slavery was forever

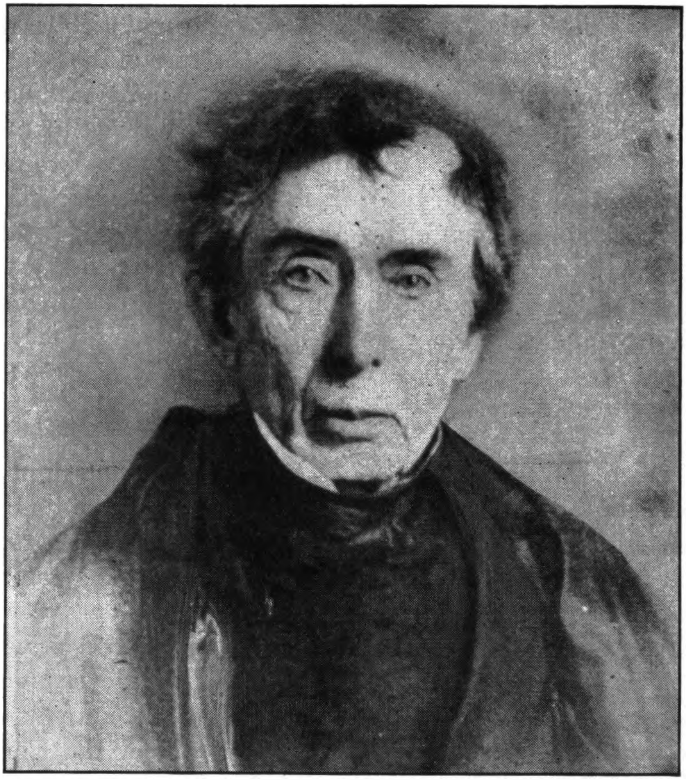
of Nebraska." The funds were used to erect temporary receiving stations in Kansas, to advise the free-soil settlers in locating lands, to furnish sawmills and gristmills. Lawrence, Kansas, was the headquarters of these New England emigrants, who became the center of the struggle. Officers of the Emigrant Company, though not acting for it, forwarded several hundred Sharps rifles, from Hartford, Connecticut, to arm the free-soilers against attacks by the proslavery party. Mr. Lawrence assisted John Brown, without knowing that he murdered opponents in Kansas, and some of the Sharps rifles, though not through the agency of Lawrence and his friends, later turned up in Brown's raid at Harper's Ferry. For an excellent picture of "bleeding Kansas" from the standpoint of the free-state contenders, see William Lawrence, *Life of Amos A. Lawrence*, pp. 73–138.

extinguished by the Civil War. Embedded in the history of the period, it shows that what we call constitutional law is the result of a tug between social forces. Dred Scott was the slave of Dr. John Emerson, a surgeon in the United States Army, who in 1834 took him from Missouri, a slave state, to a military post at Rock Island, Illinois. Illinois had been carved from the Northwest Territory in which the Ordinance of 1787 forbade slavery, and the law of the state excluded it. Here Dred was held as a slave for two years, and in 1836 was taken by his master to Fort Snelling in the Louisiana Purchase where he was still held as a slave, although the Missouri Compromise outlawed slavery there. Two years later, Dr. Emerson took the Negro back to Missouri, where he remained a slave. After Dr. Emerson died, Dred sued the widow for his freedom in a St. Louis court on the ground that he had been automatically liberated when taken into free territory. Dred won. Mrs. Emerson appealed the case to the Missouri Supreme Court, which in 1852 reversed the lower court and held that Scott, by his voluntary return to Missouri, had placed himself under the state law, by which he was a slave.

The case was reopened and set on its course to celebrity by Dr. C. C. Chaffee, a Massachusetts abolitionist who married Mrs. Emerson. He wanted to know, from a federal court, whether a master could take his slave into free territory without thereby liberating him. On the answer hung the fate of slavery in the foreseeable future. Dr. Chaffee's action was, of course, friendly to Dred Scott as a prototype.

Moderate men of the North hoped that the Supreme Court would decide the question, one way or the other, of the power of Congress over the geographical extension of slavery, and thus lay the ghost of controversy. Indeed, it was much more than a ghost, for free-soil and slavery advocates were killing each other in "bleeding Kansas," where the will of the settlers, and not the will of Congress, was permitted to determine the issue.

The Supreme Court postponed decision in the Dred Scott case until after the presidential election in which Buchanan, the Democrat, beat Frémont, the Republican, and Fillmore, the Know-Nothing. The case was reargued, principally to gain time. Most of the judges were for dodging the critical question of the power of Congress to exclude slavery from the territories, or, in other words, deciding whether the Missouri Compromise had been constitutional. But they were forced, against their will, to address themselves to the issue. Judges who were going to dissent would strongly uphold the authority of Congress over extension



ROGER B. TANEY

of slavery. The new President and the country expected the Court to determine the matter. The result was that Chief Justice Taney was deputed by the majority to write their decision on the broadest lines. The country was distracted by sectional strife — by mounting abolitionist anger relying upon Congress to prevent the spread of slavery and by southern threats of secession if this power were upheld and utilized. Could impending disaster be averted by reassuring the South?

What Taney would do is apparent in a letter to a member of his family written three months before the Dred Scott decision. "The South," he feared, "is doomed to sink to a state of inferiority, and the power of the North will be exercised to gratify their cupidity and their evil passions, without the slightest regard to the principles of the Constitution." He went on to say that "nothing but a firm united action, nearly unanimous in every state [of the South], can check northern insult and northern aggression."

Let us say that Taney and the others of the majority in the Court were acting honestly in trying to protect the culture of the South. They gave their judgment for states' rights as against national authority. The judgment which history gives is not against Taney's sincerity, but against his wisdom. Some months after the Dred Scott decision, answering bitter criticisms of it, Taney wrote to ex-President Franklin Pierce: ". . . I have an abiding confidence that this act of my judicial life will stand the test of time and the sober judgment of the country. . . ." He lived to see the Civil War and the Emancipation Proclamation, which proved, if anything could, how tragically he had been mistaken.

The Dred Scott decision boils down to the denial of Dred's plea for freedom on three grounds:

(1) A Negro, slave or free, is not a citizen, and has no right to sue in courts of the United States. This is because at the time of adoption of the Constitution Negroes were "considered as a subordinate and inferior class of beings, who had been subjugated by the dominant race, and, whether emancipated or not, yet remained subject to their authority, and had no rights and privileges but such as those who held the power and the government might choose to grant them." For more than a century before the Declaration of Independence was drawn and the Constitution adopted, Negroes had been regarded as "altogether unfit to associate with the white race, either in social or political relations; and so far inferior, that they had no rights which the white man was bound to respect. . . ." Taney protested that it was the whole duty of the Court to discover and declare the meaning of the Constitution at the time it was adopted.

(2) Dred Scott was not automatically freed by being taken into territory where slavery was prohibited by act of Congress. This was the crucial part of the decision. "The act of Congress . . . prohibiting a citizen of the United States from taking with him his slaves when he removes to the Territory in question to reside, is an exercise of authority over private property which is not warranted by the Constitution — and the removal of the plaintiff, by his owner, to that Territory, gave him no title to freedom." In other words, the Missouri Compromise, forever prohibiting slavery in the Louisiana Purchase (aside from the State of Missouri) was unconstitutional. Congress must protect slaveholders when they took their human property into territories; slavery could spread and form new states devoted to the institution.

(3) If the two foregoing points were not enough, Dred Scott was not free by having been taken into the free state of Illinois. He had returned to the slave state of Missouri, the Supreme Court of the United States had decided that the condition of a Negro depended on the laws of the state where he resided, and the highest Missouri court had said that Dred was still a slave.

What the Dred Scott decision did, in effect, was to choose the agricultural economy over the industrial, prefer white over black in the eyes of the federal government, and elevate state over nation. Dred, the slave, was given his freedom by his owner as soon as the long trial in which he had been a symbol was over. The trouble was that the decision helped to enslave the South and the country and to bring on a cruel and costly civil war. In this view the ruling was never really one of precedents, but of forecast; was not a declaration of old principle, but a guess as to what would be desirable future practice, and it was blind.

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Chapter 23

Economic Aspects of the Civil War

THE CIVIL WAR was a period of commercial prosperity in North and West. War always gives a rise to business, because, while it creates a call for full, even frantic, production, the market is an insatiable one on account of continuous enormous destruction. In addition, paper-money issues meant rising prices and profits. At the outset of the war, however, there was a crisis, followed by business failures and other signs of depression for a year, until war orders and greenbacks came to the rescue. Southerners owed northern merchants some three hundred million dollars, which it became illegal for them to pay. Wildcat banks of the West, whose notes were based principally on bonds of the seceded states, blew up like strings of firecrackers, and the noteholders got small compensation when the bonds were sold. Thus, in the West national banks were promptly formed, following passage of the national banking law in 1863, in place of the discredited state institutions, but in the East state banks not only resisted entry into the national system, but greatly increased their note issues during the war. Immediately following Lincoln's first election, when it was practically certain that civil war was coming, banks of the border states suspended specie payments, but later resumed, while those of the South suspended permanently. Business failures, numbering twelve thousand in the year 1861, rapidly declined in the opening months of the next year, and practically disappeared for the remainder of the war.

The brief depression over, war conditions sustained the mounting recovery. With so much money afloat, deposits, clearings, and profits of the banks doubled and trebled. The prosperity of savings banks testified to the quantity of money coming into the hands of the poor, as did popular buying of public bonds in small denominations. Insurance companies of all sorts made phenomenal progress.

The national war effort tended to wipe out local economic differences. As a result of discussions carried on during the conflict, a national bankruptcy law was passed soon after the war. Many associations of businessmen, national as well as local, were organized, and their conventions and publications made for uniformity of business practice.

The foreign trade carried on by the North was another evidence of the extraordinary war activity of that section and the West. A large share of the goods, agricultural and industrial, which had before gone to the South now sought foreign markets. While we had been expanding farm production, the result of machinery, immigrants, railroads, and cheap public lands, there were crop shortages in Europe, especially England. Imports during the war were hampered by our high tariffs and the competition encountered from our own manufactures. Still, the import trade was active.

American shipping in foreign trade, however, declined drastically; five thousand of our vessels disappeared because they were sunk or burned by Confederate cruisers, transferred to the registry of another country, or taken for army transports or navy use. Numbers were held idle in port for fear of venturing out, or because merchants would not give them cargoes while swarms of foreign vessels, which cut seriously into our shipping trade, were available. The proportion of our foreign trade carried in our own ships fell during the war to hardly more than a third of what it had been before, and continued to decline after the war. British shipbuilders had got the jump on us by increasingly constructing vessels of iron and steel, while we had clung principally to wood. Iron and steel enjoyed heavy protection in this country until 1890, which fact raised prices to shipyards. For the quarter-century after the war we refused to subsidize our ocean shipping with mail contracts except in a few instances. Certain aids to American foreign commerce developed during the war and were later of much effect. Such were the concentration of control in mining and manufactures which began then, the construction of transcontinental railroads, and the establishment of a sounder banking system.

The movement toward business amalgamation got its start during the Civil War, when large-scale operation and geographical expansion were encouraged by war demand, improvement of transportation, protective tariffs, and inventions needing capital. Consolidation showed itself first in the telegraph lines, the Western Union absorbing its last rivals in 1866. Short railroads were joined to give through hauls for such comparatively long distances as from Philadelphia to Chicago. The merging railroads

wanted to put an end to the ruinous rate competition which survived from the depression of 1857. Popular opposition to railroad combinations, however, prevented a number of desirable amalgamations until some years after the war.

Concentration of control was less prominent in manufacturing and mining, but here also the tendency was apparent. Internal taxes imposed on articles at different stages of manufacture and sale made consolidation economical. Combination kept down costs at a time of rising prices. Business men took joint action to protest against higher internal taxes and to plead for the highest tariffs. They came together to present a solid front against labor demands. Sometimes large combinations were assisted by popular opposition to local monopoly. States had chartered railroads with exclusive privileges and then taxed the traffic of these roads to yield a handsome public revenue. As shipments extended in length, this permitted a few links in a long line to levy on the whole of a great commerce. The demand for efficiency and speed during the war increased public resentment of this local highway robbery.

War Stimulus to Industry

In spite of loss of the southern market and reduction of certain civilian expenditures, manufactures of the loyal states prospered notably during the Civil War. Protective tariffs, annually made higher, reduced imports. The duties collected rose during the war from 20 per cent of the value of imports to 54 per cent. The patriotic demand to buy at home and the depreciation of the American currency worked to the same end. Rapid settlement of the West, due to the Homestead Act, immigration, high profits in agriculture, and opening of new mining regions, extended the market for goods of all sorts, but particularly farm, railroad, and mining equipment. Growth of the urban population called for more factory-made articles. Inflation and full employment made buying eager, enterprise ready, and profits automatic. But the chief stimulus of all was government war contracts; these were placed with speed as the determining factor rather than economy or quality. Cheating the government came to be so habitual that it was accepted by the public with more humor than condemnation. In addition to satisfying the insistent home demand, our industries maintained their exports of the most vital materials and commodities — iron and steel, machinery, ships, lumber, leather, and shoes. Heavy internal taxes on raw materials and manufactured goods and costs of conversion of some plants from peace-

time to war production were hindrances, but these were slight in comparison to the new incentives.

While the use of Lake Superior ore was to increase the number of western furnaces, the district around Pittsburgh remained the chief producing center for iron and steel. Production of these metals did not increase as much during the war as might be supposed because the former demand, especially for railroad iron, was checked. In the first two years of the war we imported iron and steel for ordnance, but after 1863 were able to supply our own needs. The greatest single item required was wrought-iron plates for ship armor. During the war American makers increased the thickness of plates from one and a half inches to five inches. Though the federal government was obliged to import muskets at the beginning of the conflict, by 1863 we were supplying all that were needed of small arms at the rate of a million a year. By the end of the war the government had nearly thirty armories and arsenals of its own and half as many private ones were working on its orders.

We built on the average eight hundred miles of railroad line during every year of the war, turned out locomotives for foreign and domestic use, made some iron cars, constructed many railroad bridges, and made most lines conform to the standard gauge of four feet eight and a half inches. The taking of merchant ships for government use at just the time of increased exportation of American grain to Europe called for activity in the shipyards of the whole northern coast; we built large numbers of iron as well as wooden hulls.

Since the blockaded Confederacy was the world's chief source of cotton, the cotton manufacture in Europe and America suffered severely. Lancashire, the principal English mill district, was hardest hit when the total world supply of cotton was cut to little more than half what it had been, the four hundred thousand operatives enduring their own starvation for the continuance of the "cotton famine." American mills, mainly in New England, were in better case because they had stocked up with fifty thousand extra bales from the 1860 crop, which, with stringent economy, took these mills through two years of operation. By this time the dwindled supply of raw material was recruited to one fourth the normal amount by imports from India, by shipments from captured southern territory, by specially licensed trade with the Confederacy, and to a slight extent by planting of cotton in Indiana and Illinois. Cotton was saved by making lighter goods; the manufacturers of heavy cotton sheetings were the worst sufferers — Lowell, Massachusetts eventually had to shut up shop.

"Shoddy Aristocracy"

Woolen manufactures expanded not only to meet the demand for army clothing, but as far as possible to supply the deficiency of cotton. Military consumption alone almost equaled the total peacetime use of wool, and the number of pounds processed rose during the war from 85,000,000 a year to 200,000,000. At first woolen cloth for uniforms had to be imported. This reflected unfavorably on the industry which for years had pledged that, if protected by a tariff, it would grow to furnish an ample supply at home. A result of the wool shortage was that much army clothing was made of shoddy, a felted material produced from shredded used clothing. "Shoddy aristocracy" was the term applied to army contractors who got rich in this questionable branch of industry, and soon "shoddy" was a word descriptive of fraudulent war goods, whether shoes, hats, or stockings.

The sewing machine, invented by Elias Howe, had been introduced in 1849, and gave new proportions to the ready-made clothing industry which had begun a dozen years earlier. The conspicuous application of the sewing machine was in the manufacture of army clothing. It cut the time of manufacture to a tenth of what it had been. Gordon McKay improved and put on the market in 1862 an adaptation of the sewing machine which stitched uppers to the soles of shoes. This and other machines for executing what had been laborious hand work transformed the shoe industry from the domestic to the factory system, increasing the productivity of the workers from five to ten times.

Since the tax on whiskey rose during the war from twenty-five cents to two dollars a gallon, the establishment of numbers of new breweries was favored, especially since the country had recently received a large German immigration. Paper manufacturers turned from rags, which were scarce, to wood pulp made by new processes, and to the use of corn-husks, straw, and other fibrous cellulose materials. The closing of the Mississippi and loss of the southern market sent hogs increasingly to Chicago to be slaughtered and packed for shipment east; the number more than trebled to 900,000 hogs, the great Union Stock Yards were established, and Cincinnati forfeited its old primacy as "Porkopolis."

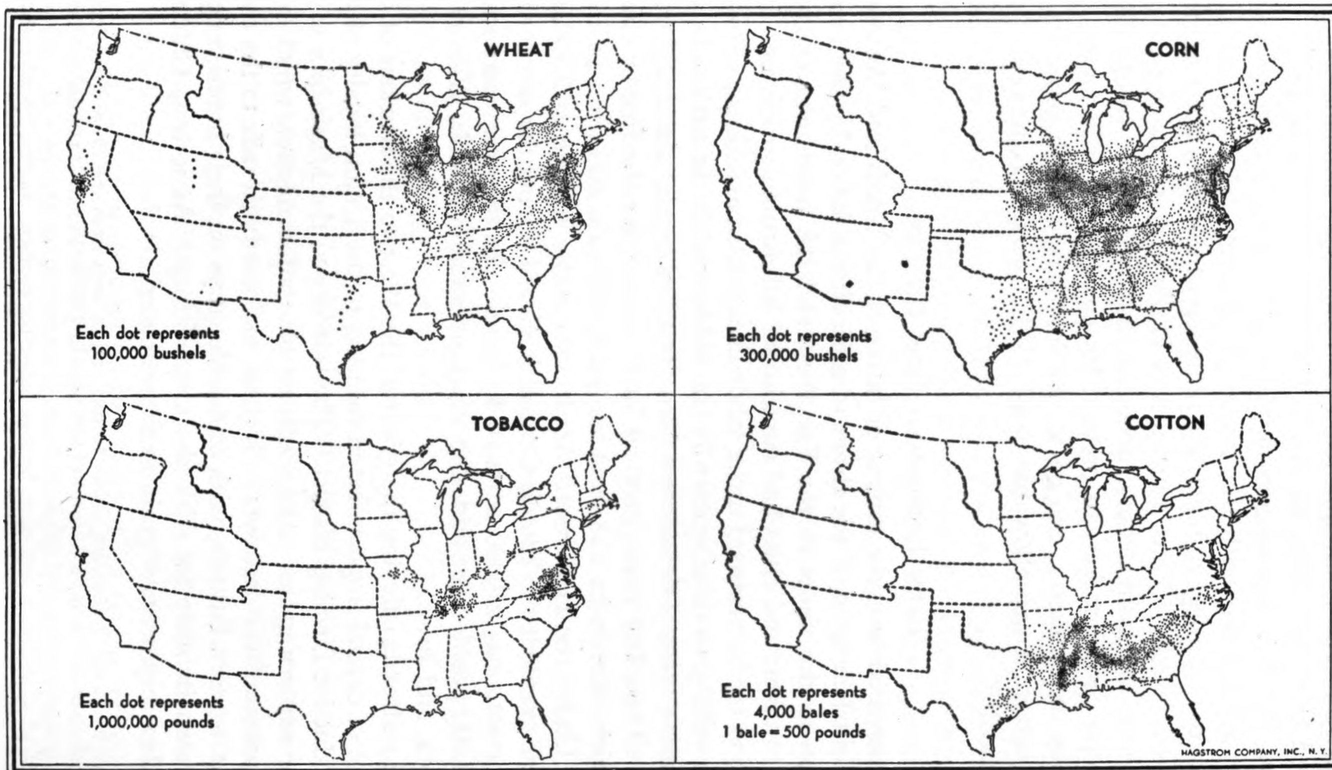
The abundance of money made production of all sorts of luxuries profitable. More patents were issued during the Civil War than ever before, because of pressing military demands and the shortage of labor for all industry. Passenger elevators, laughing gas, clothes wringers, automatic fans, fountain pens, knitting machines, were among the varied

inventions of the period. Manufacturers formed at this time their national associations for boosting the tariff and maintaining prices. In contrast to the beleaguered South, which wore out its small number of manufacturing plants during the war, the industry of the North and West took a fresh start and emerged from the war ready for still greater expansion.

The increase in the level of import duties to nearly two and a half times what they had been in 1860 was the beginning of high, even strident, protection which has remained with us almost continuously ever since. Tariff rates were constantly increased during the war, but principally in the general acts of 1862 and 1864. In part these were designed to raise more revenue, of which the country stood in imperative need, and in part they were meant to counterbalance the ever higher internal taxes paid by manufacturers. It would have paid to import goods rather than buy the domestic which were so burdened. Hence increased protection of the home market. As Morrill said, "If we bleed manufacturers, we must see to it that the proper tonic is administered at the same time." The tonic was administered liberally, and gulped down. Manufacturers were given any protective rates they had the presumption to ask for. Morrill and Thaddeus Stevens, the latter the personification of the Republican industrialist, were their champions, and carried all in the name of revenue and patriotism. It was a game of grab in which the loot was so easy as almost to rob the thing of excitement. The Act of 1864 was passed after the briefest consideration and raised the average rate on dutiable commodities from the 37 per cent of 1862 to 47 per cent, and further slashed the free list, which had already been cut to half its old proportions.

England Needed Wheat Even More Than Cotton

The agriculture of the loyal states prospered during the Civil War to an unprecedented degree. Ohio, Indiana, Illinois, Wisconsin, Iowa, with their rich new lands, rapidly increasing population, and railroads joining this region to the East, became the chief granary of the country and supplied likewise hogs and beef. The demand for food on the part of the Union armies and of the fast-growing urban population was insistent; but to this was added the extraordinary demand of Europe, for in 1860, 1861, and 1862 Britain's crops failed, and in one year the harvests of all Europe were alarmingly short. In 1862, America exported three times as many bushels of wheat as in the years preceding the war.



THE DISTRIBUTION OF FARM PRODUCE IN THE UNITED STATES, 1859

England, by her successful appeal to be fed from fertile American prairies, was saved from starvation, for the rest of Europe was in no position to help her. Britain's dependence on wheat from the loyal states prevented her from risking war with the Union government, which would have resulted from an effort to break the blockade of southern ports in order to bring out cotton.[1] Thus, a member of Parliament, opposing a motion to recognize the Confederacy, declared that "He never would allow commercial considerations to prevent his engaging in a just war, but when they were asked . . . to go to war for merely selfish purposes, to procure cotton, it was allowable to ask, 'What would be the cost of the war in corn?' "

Farm Labor and New Industry

The increased wartime output of farms of the North and West was accomplished in spite of the drain of agricultural labor by the army. Migration to the mines of the Far West and the movement of rural families to towns and cities had constituted still further problems. But the solution lay in increased use of labor-saving farm machinery of many kinds, in willing work of women in the fields, and in the arrival in the fresh farming areas of newcomers from disturbed border states and from Europe. These last were practical farmers eager for the free or cheap lands which were to be had from the public domain and from railroad grants. Under the Homestead Act in two and a half years 2,500,000 acres were granted; the Illinois Central Railroad during the war settled 13,000 persons on 800,000 acres of its lands. In the war years more than 750,000 people were added to the population of Illinois, Wisconsin, Minnesota, and Iowa.

Trunk railroads carrying the grain of the West to the markets of the East were of capital importance in insuring to the Union loyalty of the most productive farming district. The war closed the Mississippi as an outlet for western grain. The southern plantation market, which had been important, was destroyed. If there had not been rails to the eastward, the western farmers, with unsalable crops on their hands, might have thrown in their lot with the Confederacy. As it was, Chicago doubled her shipments of grain to the seaboard.

[1] The severity of the Lancashire cotton famine can be seen from the drop of receipts of American cotton at British ports from 1,841,000 bales in 1861 to a mere 71,000 bales the next year; imports were less than 200,000 bales in 1864, and even in the year the war ended were only a fourth of what Britain had taken from us before the conflict. Indian, Mediterranean, and Brazilian cotton were tried as substitutes by the British manufacturers, but these supplies were insufficient in quantity and of inferior quality.

Mining of all sorts was actively pushed during the war. Iron ore from the rich Michigan (Lake Superior) beds was made available by the Sault Ste. Marie Canal and the Marquette Railroad. Salt was discovered in this state along the Saginaw River, and took the place in the West of salt which before the war came from the South. Petroleum was struck near Titusville, in northwestern Pennsylvania, in 1859, and promptly the infertile farms along Oil Creek were bought or leased at any prices the astonished owners asked, and drilled with pumping wells and a few amazing gushers. There were fluctuations in the business because of temporary overproduction. Serious faults in the refined oil, until these were overcome in 1864, and rapidly falling costs of transportation, as railroads and pipe lines replaced the original haulage by wagon, caused further fluctuation. But the industry spread to new locations in West Virginia and Ohio, and the old lubricants and illuminants were superseded. Kerosene was the beginning of the end of the whaling industry. Speculation in oil company stocks soared and a Petroleum Stock Exchange was opened in New York City.

The discovery of gold and silver mines in the eastern wall of the Sierras (Nevada, Idaho, Montana) in 1859 and the years following drew a new flood of immigrants across Kansas and Nebraska — the adventurous, the discontented, the hopeful, and many fleeing the military drafts. It was like the California gold fever over again. The population of Colorado trebled during the war. It was reported that, in 1864, from Omaha alone, 75,000 people set out, with more than 20,000 tons of freight, 30,000 horses, and 75,000 cattle. In six years the Comstock Lode, Virginia City, Nevada, produced over $50,000,000 of the precious metals, with others not far behind.

Labor Injured by War

Although the Civil War was fought for free as against slave labor, as well as for the Union, industrial workers of the North were exploited during the struggle. Not only did advances in wages drag behind the increasing cost of living, but certain groups of workers, such as seamstresses, found their wages actually declining before the end of the war. The earnings of these women, who worked for the government or for private contractors on army clothing, were shamefully low. An average week's wage paid by the contractors in New York in 1865 was $1.54. We are told:[1]

[1] Fite, *Social and Industrial Conditions During the Civil War*, p. 186.

> In the middle of 1864 a woman in New York, using the sewing machine and furnishing her own thread, and working fourteen hours per day, made four pairs of cotton drawers at four and one sixth cents each, or sixteen and three-fourths cents per day; another woman got five and one half cents for making a pair of canton flannel drawers, and succeeded in making two per day.

Nearly all of these were American women whose pride made them prefer factory work, abominably paid as it was, to domestic service. Women made up one fourth of the industrial force of the country. When men were drawn into the army, or if they struck on the job, women were apt to be substituted in printing offices, stores, or clerical work.

Besides the labor of women, other cheap substitutes were used by employers. Apprentices were taken in larger numbers, unskilled labor was adapted, and Negroes, introduced as strike-breakers, often remained as permanent workers along the docks and elsewhere. Machinery was substituted for human labor on farms and in factories. Some eight hundred thousand immigrants — mostly English driven out by depression in their cotton industry, Irish expelled by crop failure, and Germans fleeing from military conscription — came to these shores during the war. While many of the men were promptly recruited for the army, immigrants whose passage was paid and later taken out of their low wages constituted a threat to American labor standards against which the few unions did not fail to protest.

The war period witnessed renewed activity in organization of unions, most of which were local to one city or even to one shop. Eleven national unions, however, appeared between 1861 and 1865. Strikes were the regular result when workers presented demands against long hours, low wages, pay in store orders, and the "yellow-dog" contract. In the last year of the war, when victory for the national government seemed in sight, strikes were less frequently successful than before.

Financing the Civil War

Salmon P. Chase, Secretary of the Treasury in Lincoln's Cabinet, was responsible for financing the Civil War. He began with an insistence on hard money, but was driven eventually to rely on irredeemable paper currency — the greenbacks. He had twice been governor of Ohio, was United States Senator, and brought to the office ability and integrity which inspired the needed public confidence. He had, however, little fiscal experience. When he took over, the Treasury was disorganized

because the country was disorganized during the closing months of Buchanan's administration. Seven states were in revolt, the Treasury had a deficit, and was saved from a bigger one only by hand-to-mouth borrowing at high rates of interest; only a quarter of the revenue came from taxation, and the new Morrill Tariff, soon to go into effect, promised a further reduction in customs returns.

Chase proposed to rely upon borrowing for the expenses of the war, and looked to taxes only for the ordinary conduct of government. He promised "the greatest care . . . to prevent the degradation" of the short-term Treasury notes, which he issued, "into an irredeemable paper currency, than which no more certainly fatal expedient for impoverishing the masses and discrediting the government of any country can well be devised." He was afraid to risk a popular loan for the large funds immediately required, and borrowed from the banks $150,000,000, to be paid into the Treasury in cash. At the end of 1861, the banks suspended specie payments and the government had to follow suit. This was necessary because the war would evidently be a long and costly one, taxes levied were inadequate, and it was feared that England would declare war against the United States.

In the resulting dismay, with the prospect of an empty Treasury in thirty days, Congress passed in February, 1862, the first of the legal-tender acts. It provided for the issue of $150,000,000 of irredeemable paper money, to be receivable for all debts, private and public, except duties on imports and interest on the national debt. The debate had been acrimonious. Opponents of the measure pointed out that the paper would surely depreciate in value, and thus increase the cost of the war to government, rob those on fixed incomes, including soldiers, and injure workers whose wages would rise more slowly than prices. It would be better, they said, to borrow on bonds, which would be taken at a good price if supported by a vigorous program of taxation to furnish funds for interest and redemption. This was the economical and honest plan. But advocates of the "greenbacks," as they were later called because printed with green ink, urged the necessity of haste. Moreover, they relied on certain features of the bill, such as the right to convert greenbacks into bonds, and their legal-tender character, to hold up their value. Chase reluctantly gave his approval, and later repented. The public as a whole received the greenbacks with ignorant welcome, especially as their issuance postponed taxation which the Republican Party, not sure of itself nor of the people's response, was loath to impose. Chase's original proposal for a bank-note currency,

made safe by compelling the banks to deposit national bonds with the Treasury, was shelved for the time, though two years later it was to be adopted as the National Banking System.

In six months Chase declared that the first issue of greenbacks would soon be exhausted, since the war was costing a million dollars a day, and the taxes and sales of public lands brought in only a third of this sum. In July, 1862, a second issue of $150,000,000 was authorized. Within a week Chase got permission to issue postage stamps to be used as currency, because small change was disappearing and the tokens and small notes set afloat by hotels, railroads, and all sorts of business houses were uncontrolled in amount and of most doubtful value. A premium on gold had, of course, appeared.

War clouds soon blackened again for the Treasury. McClellan's campaign in the Virginia Peninsula ended in the slaughter and retreat of his troops; Lincoln called for three hundred thousand more soldiers who had to be equipped, fed, and paid from coffers worse than empty. The men in the field were owed $60,000,000 and their families were suffering. The light taxes of 1861 were yielding little more than a fifth of the needed revenue, and Chase's ample authority to issue bonds was useless while he could not sell them at the prices Congress demanded. The Secretary opposed putting out more greenbacks, and urged instead killing two birds with one stone by selling bonds to banks as security for their note circulation. Chase denied that there was inflation, but laid it, if it existed, to the large issues of bank notes, not to greenbacks. Congress in January, 1863, authorized an additional $100,000,000 of the fiat paper, and in March $50,000,000 more. Lincoln consented grudgingly, preferring Chase's bank reorganization and borrowing scheme.

Taxes and Bond Sales

These were the last greenbacks issued, but the law providing for them permitted the use of greenbacks, instead of coin, in paying interest on certain short-term government bonds, and took away the privilege of converting greenbacks into bonds, which, of course, bore interest. Further greenback issues could be dispensed with in spite of the mounting costs of war because taxation and borrowing now began to produce real results. In the summer of 1862, the previous timid taxes were supplemented with levies on a large number of commodities, services, and trades. Subsequent acts strengthened the system. At the same

time the sale of bonds improved. Jay Cooke, the Philadelphia banker, had been far the most successful of the agents appointed by Chase to stimulate public sales of the first loan, authorized in the summer of 1861, and he was given charge of placing the loan of $500,000,000 authorized in February, 1862. Cooke sold more than $320,000,000 of this loan, and the power later conferred to borrow $900,000,000 was met by eagerness to purchase bonds. A Treasury deficit of $72,000,000 at the end of 1862 was promptly wiped out and the close of the fiscal year showed a reassuring balance. Chase recommended that no more greenbacks be issued, and Congress, accepting this policy, declared that the legal tenders should never exceed $450,000,000.

Chase was not so fortunate in selling new bonds in 1864. He had been criticized for employing Cooke, because of the monopoly privilege conferred and of course the commissions paid, so the agent was dispensed with, and Chase relied on the banks under the recently launched National Banking System. He, very properly, had a settled distrust of the state banks, and complained that they defeated any limitations on the issue of greenbacks by using these notes as reserve against which they issued greater amounts of their own state bank notes. He felt that only the national government, or banks chartered by it, should have the power to supply money. Thus, along with his repeated proposals for a system of national banks went recommendations, stronger from year to year, that the state bank notes be eliminated by taxing them. The legitimate state bank notes were bad enough, but the mischief of these was increased by the large numbers which were altered or counterfeited. After Chase's scheme for the chartering of national banks had been twice rejected, in 1861 and 1862, it was adopted February 25, 1863.

In its first form the project was defective in plan and functioning and had to be amended in the two following years. At the start it provided for banking associations under national charter, these to put not less than half their capital in United States bonds. Deposited with the Treasury, the bonds became security for notes which the banks might issue up to 90 per cent of the par value of the bonds. These national banks were exempted from all taxation, federal and state, which did nothing to increase their popularity with the state banks. State banks, however, if they deposited national bonds, were empowered to issue notes up to 80 per cent of the face value of the bonds. The plan drew disappointing response and much active enmity. Despite efforts of Chase and his friends, by the end of 1863 only thirty-four of the new national banks had been formed, with capital of only $16,000,000, and

national bank notes issued to the amount of only $3,000,000. The state banks preferred the privileges they enjoyed under their own lax charters.

An amending act, passed in June, 1864, avoided taxing notes of state banks, which was still regarded as politically dangerous, and allayed state criticism by permitting the taxing of national banks in the states where located, and imposed on them, moreover, a small national tax. State banks began to take out national charters; by the end of 1864 there were six hundred national banks, with a note circulation of $65,000,000. In March, 1865, after Chase had resigned, an act was passed putting a tax of 10 per cent on all notes of state banks. This tax was prohibitive, for banks could not make that much on their issues. Even though deprived of the note-issue privilege, many state banks refused to take out national charters, but others did so, increasing the number of national banks to 1650, with a note issue of $400,000,000.

A principal point with Chase, in urging the National Banking System with its bond-secured currency, was that by this means a steady and eager market would be created for national securities, which was so desirable for financing the war. This hope did not materialize, however, while Chase remained in office. He resigned in June, 1864, while the Treasury was still running behind. Secretary Fessenden, who followed, had to continue Chase's last device of issuing interest-bearing short-term notes (not greenbacks, and intended for investment rather than circulation), but soon bond sales improved as victory became evident, and he left the Treasury at Lincoln's second inauguration. Hugh McCulloch, his successor, wanted to begin retirement of the greenbacks promptly, and the House pledged co-operation in an early resumption of specie payments. These hopes were entertained in the first flush of victory, but the effects of war were not so soon dispelled. The vicissitudes and controversies of thirteen years were to show what a troublesome factor had been injected into national economic life with the greenbacks.

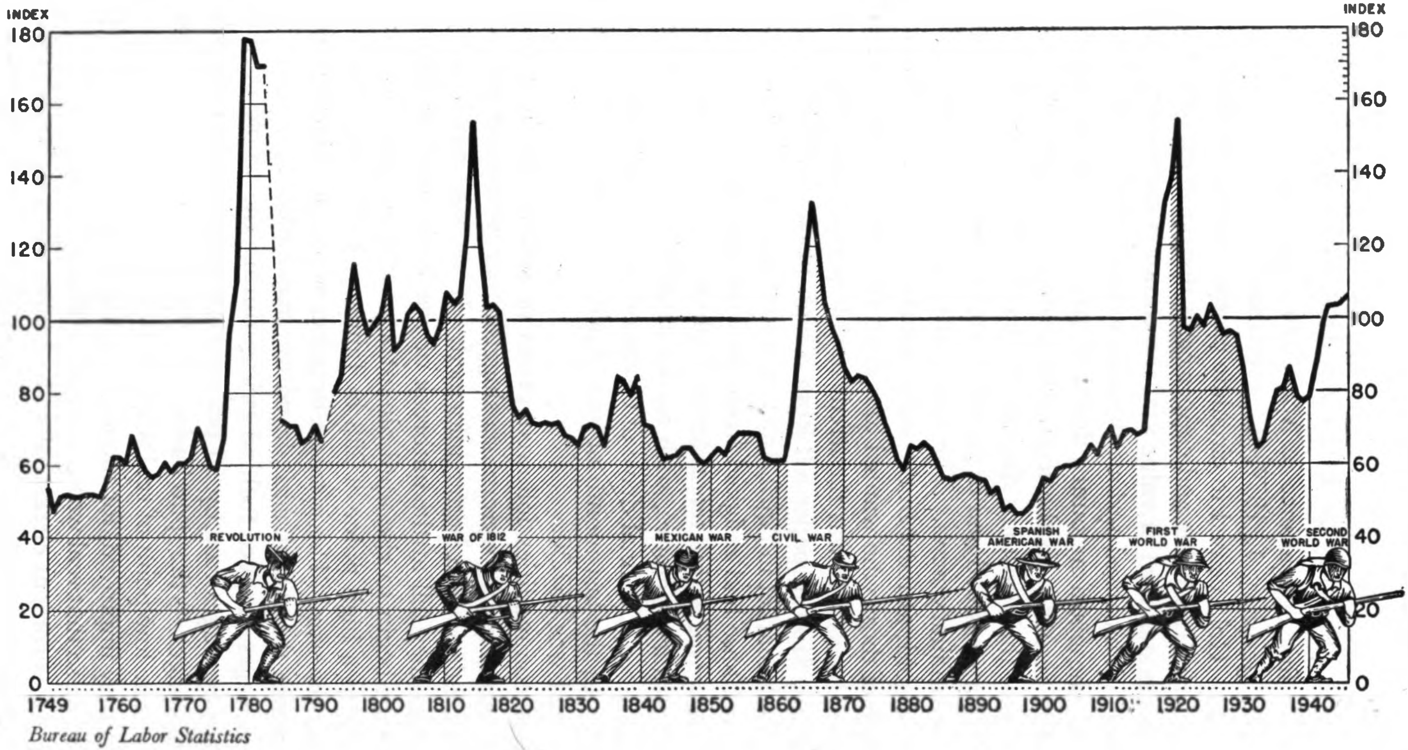
Total revenues of the government between 1861 and 1865 rose from $64,500,000 to $1,197,000,000. Receipts from taxes and sales of public lands rose from one tenth of the total in 1862 to better than a quarter by 1865. Among the loans the greenbacks, which amounted to a forced loan, brought in a fifth of the loan revenue in 1862, almost half in 1863, but fell to a fraction in 1864, and in 1865 more of these were redeemed than were issued; that is, after Treasury and country got organized for the war effort, public confidence and government command of resources progressively improved.

RESULTS OF INFLATION DURING WAR

From their first appearance in April, 1862, until their redemption in specie began, January 1, 1879, the greenbacks were at a discount in terms of gold. Gold ceased to circulate except west of the Rockies, and even subsidiary silver coins and copper cents disappeared. Since greenbacks were the standard of value and the common circulating medium, their depreciation caused serious derangement of prices. The premium on gold, or the extra amount offered in paper money to secure gold, fluctuated in response to the legitimate demand for gold by importers who must pay their customs dues in it, the demand of speculators, the quantity of paper issued and in prospect, and the favorable or depressing character of military news. The important thing to understand is that the value of gold, as fixed in the world market, did not rise, despite the declarations of those who wanted to uphold the credit of the government and its greenbacks. It was the irredeemable paper money which fell in value. Thus, $100 in paper fell from a high price of $98.52 in gold in the New York market in April, 1862, to a low price of $35.09 on July 11, 1864, when Chase had resigned from the Treasury and the Confederate General Early was within ten miles of Washington. Thereafter the price rose with military victories, such as the capture of Atlanta, Sherman's march to the sea, the final drive of Grant on Richmond, and then Lee's surrender. In the last month of war, April, 1865, the average price of paper in gold was $67.30.

Prices of commodities followed prices of specie, but at a distance. Similarly, retail prices were more sluggish than wholesale prices, since wholesale dealers were better informed. If we take wholesale prices, we find that they fell at the outbreak of war because of the depression; they did not begin to rise until almost a year later, and then went up irregularly to a high point of 228 in January, 1865, as compared with 100 before the war. The increase in prices was caused largely by inflation, in which the greenbacks played the major rôle.

Money wages dragged behind prices during the whole of the war. While money wages rose by 50 per cent, prices more than doubled, so that real wages — the purchasing ability of workers — fell by one quarter. The low point of real wages was in January, 1865. After this, however, they improved, for money wages continued to rise while prices began to fall, so that real wages were returning to prewar level by the end of 1865. Government clerks, soldiers, teachers, and others whose wages were relatively fixed suffered most. The pay of privates was raised from



WHOLESALE PRICES IN RELATION TO WARS FROM REVOLUTION TO 1946

$11 per month to $13 and later to $16. The soldiers themselves were maintained, but the increase in pay did not compensate their families for the increased cost of living. The losses in real wages would have been greater but for the withdrawal of at least a seventh of the working force for service in the army, to which was added the spurt in labor organization and a large number of strikes. We may accept Professor Wesley C. Mitchell's estimate that the public debt of $2,846,000,000, contracted because of the war, was more than a fifth larger than it need have been had not greenbacks been employed; it was in that proportion, through inflation, that paper money increased the sums the government had to pay out.

War Problems of the Seceding South

The problem of the South in conducting a long and arduous land war was in most respects the opposite of that of the North. The economy of the South was almost wholly an agricultural economy, in which the main products were non-edible staples. This meant more than a lack of home manufactures. It spelled normal dependence on the North, and to a less extent on Britain, for credit and shipping as well. It meant that population was thin, with few towns and cities. Until near the end of the war the South was afraid to draw out much of its manpower — the Negro slaves — for military service. At the same time the slaves were less effective on the land than previously, for during the war the production of cotton and tobacco was discouraged, the best white direction of slave labor was withdrawn, and the shifting of a slave agriculture to production of foodstuffs was difficult, anyway. The South's coasts were blockaded by the federal navy from the beginning, and with increasing effectiveness. Her treasure, for which the world clamored, was in cotton and tobacco, but these bulky goods could not be got out to purchasers; she did not want them to go to the North, and the North substantially prevented them from going to England.

The South had her share of the country's specie, but the best money is only a means of summoning the available resources in men and materials, and in the financing of a great war coin goes only a little way. The political weakness of the South was that the Confederacy was a rebel government, the belligerency of which was never recognized by a foreign power which could help her. Further, response to the Confederacy's calls for assistance from abroad hung on the issue of the conflict. If the North lost, part of the federal domain would be forfeited,

to be sure, but the majority of the states, the richest and most populous, would still form a powerful nation. But if the South lost, her pretended political identity would be destroyed, for she would be absorbed again into the Union, which would not recognize her debts contracted while in rebellion. And if the South won, she had no territorial claims by which to gain, and would still be the poorer part of the country.

Also there was internal political weakness which impaired the Confederacy's economic and military strength. The fundamental constitutional principle, on which the Confederate states left the Union, was that of states' rights. Each of the Confederate states held itself to be sovereign, which gave it the same right to withdraw from the Confederacy which it had to withdraw from the Union. This state self-direction was from the start in conflict with the hourly practical necessities of a Confederacy at war. The central government at Richmond functioned, in the last analysis, by sufferance. Its efforts were too far duplicated and in many ways hampered by those undertaken independently by the states. Often the states were in collision with the Confederate government, contesting its power over them in conscription and use of troops, in taxation, and in policies of currency and foreign trade. At one point it was even threatened that North Carolina state troops would be used against soldiers of the Confederacy within its borders! Over and over critical situations requiring swift decision and action were complicated by time taken out for constitutional debate.

Further, the upland and mountainous western portions of southern states were never wholeheartedly for the war. Inhabitants of these districts had few slaves, were no part of the cotton economy, and early saw that the war was fought for institutions alien to them. This geographic, economic, and political cleavage within the South had long been apparent. It was emphasized by the breaking-off of mountain counties of Virginia to form West Virginia. These mountain districts furnished large numbers of soldiers to the northern armies and were places of refuge for thousands of deserters from southern ranks.

The Mississippi, also, was a barrier between parts of the Confederacy. It was the trans-Mississippi region, mainly Texas, which had access to supplies from Mexico, but this region was less warm in its attachment to the Confederate cause than that east of the river, it had a thin population in an enormous area, its means of transportation were the poorest, and it was largely cut off from the rest of the South by the fall of New Orleans and Vicksburg.

Thus, the one-sided southern economy and the peculiar nature of its

productions and institutions gave it few assets in a protracted war. It did possess certain advantages for waging war if they could be applied swiftly. Among these was a small and homogeneous aristocracy of education, wealth, and political power. All war submerges democracy, and the South had little which had not long since been repressed. The Confederacy had a high order of military leadership, which, coupled with favorable circumstances, brought it early successes, and continued later, in the face of great obstacles, to produce surprising victories. And most of the time the Southerners were fighting for and on their own soil. In destruction of resources this had its tremendous drawback, but it was a moral advantage which helps to explain their ability to hold on when all but determination had been exhausted.

King Cotton Proved Poor Protector

The South, like the North, in the beginning thought the struggle would be brief. Her main reliance, in the first flush of secession and military preparations, was in her monopoly of cotton, the withholding of which would cripple the industrial North and bring Britain to the South's aid. This reliance on King Cotton was to prove sadly disappointing, because of lack of naval and shipping strength to enable the South to break through the northern blockade on a large scale. Also slavery, on which the throne of King Cotton rested, was hateful to the free industrial workers of the North and of Lancashire and Yorkshire.

Only these considerations, coupled with a cumulative economic and political resentment against the North, can explain the South's failure to assess her faulty resources for war. In a large view, as Samuel Chiles Mitchell has shown, she pitted herself against hopeless odds, and if, by a miracle, she had won in the war, it would have been progressively to sacrifice most that she fought for. When Lee extended his sword, hilt first, at Appomattox, he tendered it to Grant, but it was really the forces of the age to which he surrendered. It was the age of nationalism, but the South had stood for secession. It was the age of industrialization, and the South had been the partisan of agriculture solely. It was the age of free labor, with workers asserting claims in all the western world, but the South had insisted on chattel slavery.

The Confederate government financed the war mainly by the issue of irredeemable paper money, which before the end it partially repudiated by several methods. To a less extent it borrowed at home and

abroad. Principally by domestic loans it drew out virtually all of the specie in the South, which was sent to Europe for purchase of war supplies. To a slight degree it used taxation. It tried every other known method of acquiring materials and purchasing power — solicitation of gifts, impressment of goods and gold, barter, and the swelling of debts which it could not meet. The states of the Confederacy duplicated most of these devices, and cities, counties, towns, and even companies and individuals issued paper money. Counterfeiters, who had no difficult task, added to the complications. Finally the problem resolved itself into a race between the speed of the printing presses and the celerity with which the people lost the last confidence in the will or ability of government to honor its promises.

It was contended by some, too late in any event, that the Confederate Treasury should have possessed itself of the whole supply of cotton at the outset. If government had shipped and sold this cotton abroad on its own account, said critics, it would have obtained, at the high prices prevailing, more than enough funds for all of the war imports so desperately needed. But how was the government to get the cotton? Planters, many of them poor men with but a few bales, would not have stood for wholesale seizure of their cotton. The cotton could not be bought with bonds, for the planters needed something they could use for money; but a sufficient issue of paper money to buy all the cotton would have produced inflation at once. Further, the Confederacy could not command ships to carry the cotton to England, or even to Nassau, in the West Indies, where it could be transshipped by British merchantmen, even if the vessels could successfully run the blockade. Also, if cotton had gone to Britain in such quantity, the price would not have been higher than ordinarily; it might even have been lower.

The Confederacy's Cotton Policy and the Blockade

These difficulties were in the minds of Southerners at the time. For a year after the war started, however, it was the deliberate policy of the South to starve the British and French textile districts in the hope of forcing recognition of the Confederacy by those governments. President Davis's embargo on cotton was much more effective in this period than was President Lincoln's blockade. The embargo was not official. No act was passed by the Confederate Congress to insure it, but governors, mayors, and vigilance committees did their part to prevent cotton from leaving southern ports, and it was urged that no cotton be planted in

1862. Much cotton was burned, not all of it to save the supplies from falling into the hands of advancing federal troops. These actions were advertised in England to add further threat to the distressing fact of a cotton famine there.

Recent students have felt that the Confederacy's cotton policy, in the first critical year, was disastrously mistaken. The federal blockade during this period, so far from being "effective," as insisted by Lincoln and accepted by Lord John Russell, the British Foreign Minister, was a gigantic bluff. The three federal steamers which tried to patrol thirty-five hundred miles of southern coast line when the blockade was declared had been increased, nine months later, to one hundred and twenty, but during the whole first year of the war, vessels came and went through the sieve almost at will, between five hundred and seven hundred running the blockade in this period. It is contended that British vessels would have "swarmed" in southern ports had cotton been available to them. By the time the Confederacy changed its policy, and wanted to ship cotton to Britain in order to buy arms and other war supplies, it was too late. The blockade had been tightened, being enforced finally by six hundred ships of all sorts, and whatever gaps existed were filled in part by Earl Russell's contention that the blockade was to be considered effective, not simply if it was impossible to break through, but if attempting to do so involved the risk of capture. He acquiesced in the North's new doctrine of "continuous voyage," which extended the blockade to seizure of British and other neutral vessels bearing arms for the Confederacy, even though they were bound for neutral ports, such as Matamoros, Mexico, and Nassau in the Bahamas. Since from these places the arms, as soon as landed, were transshipped to the Confederacy, it was the doctrine of the United States that their "ultimate destination" controlled.

The first southern blockade-runners, taking cotton from any port between the Chesapeake and the mouth of the Rio Grande to Bermuda, Nassau, or Havana, and bringing back British manufactures, preferably "hardware" (guns), were small coasting steamers of all descriptions. As the blockade became tighter, these were captured and burned. They were replaced by specialized craft built or adapted for the business. "Speed, invisibility, and handiness, with a certain space for stowage, were the essentials" of such a vessel:

> The typical blockade-runner of 1863–64 was a long, low side-wheel steamer of from four to six hundred tons, with a slight frame, sharp and narrow, its length perhaps nine times its beam. It had feathering paddles,

> and one or two raking telescopic tunnels, which might be lowered close to the deck. The hull rose only a few feet out of the water, and was painted . . . lead color, so that it could hardly be seen by daylight at two hundred yards. . . . Anthracite coal, which made no smoke, was burned in the furnaces. . . . When running in, all lights were put out, the binnacle and fireroom hatch were carefully covered, and steam was blown off under water.[1]

Organized Blockade-Running

British as well as Confederate companies were organized to run the blockade, for "With cotton at fourpence a pound in Wilmington and two shillings a pound in England, the Liverpool merchant was not a man to hesitate long." The profits were so enormous that a vessel after two successful trips could be lost on the third and still leave the adventurers handsomely recompensed. A clear profit of thirty thousand pounds each way was common, and it was estimated by the blockading fleet at Wilmington that two thirds of attempted entries were successful. Steam cotton compresses packed the cotton to such small bulk that six hundred or more bales could be carried out. The Confederate government, after the business became systematized, bought a few blockade-runners in England, had an interest in others, and required that every southern vessel making the attempt give half her cargo space to government goods.

The blockade-runner, coming in under conditions of darkness, rain, or fog, and selecting such a hole in the fleet as that between the shore and the end vessel, encountered only a few minutes of peril before she was under the land batteries which protected her. A signal system on shore was organized at the chief ports to assist the incoming captains. The blockading squadron at Charleston was sharp enough to detect a vessel coming out when her thin masts, for two moments, cut off the single light at Fort Sumter. Losses in blockade-running became progressively greater, but the practice persisted to the end of the war.

Confederate privateers — all sorts of vessels — were at first moderately successful in preying on northern merchantmen. Lincoln promised to treat captured crews of these privateers as pirates, but backed down when the Confederacy replied that it would retaliate on federal prisoners in its hands. But as the blockade tightened, the private marauders were prevented from getting their prizes into port, and so the profit

[1] James Russell Soley, *The Blockade and the Cruisers*, pp. 156–57. Other particulars of running the blockade and of the Confederate "commerce-destroyers" are taken from this account.

disappeared. The Confederate navy, such as it was, took over, its object being to cripple the North by destroying as many vessels as possible in its large merchant marine. The Confederate naval ships came mostly from England, the earliest to be built there to Confederate order, such as the *Florida* and the *Alabama,* depending on the friendly blindness of the British government to overlook preparations to send them to sea to attack the commerce of the United States. For such unneutral acts Britain afterward paid heavily for damages done by the *Alabama,* the most successful of the commerce-raiders of the Confederacy.

Paper Money and Domestic Loans

Public finance resolves itself, in a long war, into a very general control. If the economy and policy of a country are weak and cannot be strengthened in the course of the war, Treasury operations soon become ineffective, then frenzied, and end with imbecility. This was the case with the Confederacy. Material means of conducting war may be increasingly summoned in the face of military defeats, and turn failure into victory. This was true of the North. On the other hand, as was shown in the South, military success cannot run far ahead of the organization of supply.

The Confederacy began by possessing itself of the gold and silver in United States mints and custom houses in the section, amounting to more than five million dollars. An empty Treasury was further assisted by gifts and voluntary loans of money, food, and clothing from states, churches, and individuals. The first and only successful domestic loan, of fifteen million dollars, called, significantly, the "specie loan," was authorized in February, 1861. There was never so much cash or enthusiasm to be drawn out later. The bonds bore 8 per cent interest, payable in specie, and were to be redeemed in ten years; interest and sinking fund — the latter mythical — were to be accumulated from a tax of one eighth of a cent a pound on exported cotton. Subscriptions were prompt, a third of the entire issue being taken in New Orleans and Charleston the first day. All subscriptions had to be tendered in hard money, but most of the banks had suspended, so not enough specie could be had. The difficulty was got over when the suspended banks agreed to redeem in specie such of their notes as were offered for the bonds, and banks subscribed heavily themselves. The value of these bonds held up best of any Confederate securities, though, by the time they had been out eighteen months, it fell, in gold, to a third of the

face amount. This loan took most of the specie in the hands of the southern people and banks.

The Confederate Treasury for some months could not find an engraver who could make plates for certificates and notes, and it always had trouble in securing a supply of paper for the purpose, but these were its only inhibitions in putting out currency. Ten days after the "fifteen-million loan" was authorized, a million dollars was created in interest-bearing one-year Treasury certificates, the amount soon being doubled. The smallest denomination was fifty dollars, and because the interest was 3.65 per cent, it was believed these certificates would be held by investors and not circulated, but this was only temporarily true. From this beginning the descent was easy. Taxation was postponed and referred to the states as intermediaries; loans were made payable partly in produce in default of money, and any payment on loans was anticipated by issue of paper money. At first only a portion of this was intended for circulation, the remainder to be in large denominations, bear interest, and so be salted away, it was thought. The investment certificates were not issued, but the circulating notes were — $20,000,000 worth. Two years instead of one were allowed for their redemption, they were receivable for most taxes, and they could be exchanged for 8 per cent bonds. It was piously hoped that by this last provision the value of the notes would be held up, but the fact was that as the notes declined the bonds were dragged down with them. Within a few months the Congress, still deferring the evil day of taxes and even of loans, authorized more notes, this time $100,000,000, none bearing interest and not to be taken up in one year or two years, but "six months after the ratification of a treaty of peace." Soon the issue was raised to $150,000,000.

The other principal Treasury project of this first year of the Confederacy was what was known as the "hundred-million loan" (really 150-million). This was an issue of 8 per cent twenty-year bonds which could be subscribed for in almost anything — Treasury notes, banknotes, cotton, tobacco, corn, pork, beef, flour. It turned out to be almost entirely a produce loan, nine tenths of the whole subscription being in cotton. This had the double purpose of relieving the planters and all of those depending on cotton which could not be sold, and of getting supplies for the government without using paper money which was sinking in value. The four hundred thousand bales of cotton which the Treasury thus obtained became the security for its borrowings in Europe. Three fourths of the receipts the first year came from paper money, a

little over a fifth from bonds, and the rest from seizure of United States funds and from a very small customs revenue, which was the only form of taxation used.

Confederate Foreign Loan

The next event of importance in Confederate finance was the attempt to borrow fifteen million dollars in Europe on the security of cotton owned by the government and held, most of it, on the plantations. How could such a speculation appeal to distant lenders? Its success depended partly upon ability to get the cotton out through the blockade, but even more hung upon the victory of the Confederacy. If the South were beaten, European creditors had not much chance of laying hold on that cotton. But several counterbalancing features made the loan attractive. The chief was the desperate demand for cotton in Britain and to a less extent in France, which was mirrored in a soaring price, reaching above forty-five cents a pound, or six times the normal figure, by the time the loan was floated early in 1863. The cotton which the Confederacy offered was pledged at the price of sixpence a pound, a fourth of its market value at the time. The interest rate was 7 per cent, payable in gold, and the principal was to be redeemed in half-yearly installments. The bonds were offered to the public at 90. If the bondholders wanted cotton in exchange for their securities during the war, it was to be delivered within the Confederacy at points not more than ten miles from a railway or navigable stream, but it was to be exported by the bondholders. If they would wait until peace was established, they could have their cotton at Charleston, Mobile, or New Orleans.

Moreover, the loan was underwritten by Paris bankers — Erlanger et Compagnie — who bought the bonds at 77. The bankers thus stood to realize the difference between 77 and 90 if the bonds could be sold at the latter figure, and in addition were to receive 5 per cent commission on sales and another 1 per cent for disbursing the interest. Napoleon III, after hesitation, sanctioned the issue. The French people, like the British people and government, were hostile to the South because it fought for slavery. Also, the historic policy of France had been to favor a united and strong American government to check the ambitions in the Western Hemisphere of her traditional rival, England. But Napoleon himself had entered on the project of French domination of Mexico, which soon developed into placing Maximilian, supported by French troops, on the throne of that country. The federal government had declared its hos-

tility to this foreign régime on American soil; if the North won in the American civil war, it would immediately turn, with a good and large army, to the expulsion of the French from Mexico. Thus, the only hope of Napoleon in Mexico lay in assisting the Confederacy, and to this end he defied British antagonism by helping the Confederacy in several ways, approval of the Erlanger loan being one of them.

Subscriptions were opened by Erlanger and associated bankers in the principal European markets in March, 1863. The response gave Confederate officials premature delight. The loan was oversubscribed three times in London alone, with the blessing of the London *Times* and the *Economist*. Altogether, it was oversubscribed more than five times. Mason, one of the Confederate European agents, wrote his Secretary of State Benjamin of the "triumphant success of our infant credit; it shows . . . that Cotton is King at last."

But this enthusiasm arose in ignorance of the habit of European investors to subscribe for more of a popular loan than they expected actually to receive on allotment. The bonds, under stimulus of the initial demand, promptly rose to a price of 95½, but within a fortnight a reaction set in which drove the price down to 85. Confederate agents claimed that representatives of the United States were depressing the bonds by offering to buy large quantities at low prices. So a secret agreement was made with Erlanger to sustain the bonds by purchases on account of the Confederacy up to a sum which turned out to be £1,338,500. Thus, some $6,000,000 of gold, sorely needed by the Confederacy for the purchase of ships and war supplies, was used to keep the bonds up to about their original price for a couple of months, after which news of federal victories at Vicksburg and Gettysburg started the bonds downward again. Thereafter they fluctuated with the news and rumors from America; though they fell to merely nominal values after the Confederate defeat, the hopes of the holders, as persistent as unfounded, at intervals created demand for the bonds as late as twenty years after Appomattox! The foreign purchasers lost some $10,000,000 in their speculation, and the South realized, from the $15,000,000 loan, a net of $6,000,000 at most, much of which was lost in buying ships which were never delivered.

Produce Tax and Repudiation

The Confederacy shrank from taxation, and only in the second year began to collect from a levy on property — mostly slaves, land, and

bank shares. Unfortunately, the states were permitted to advance the sums due from their citizens, and at a 10 per cent discount. The result was that all the states did so by issuing bonds or paper money, and only South Carolina and in part Texas then reimbursed themselves by collecting taxes from their people. In April, 1863, other taxes, without intermediation of the states, were laid — on property, occupations, income, profits, together with a tax in kind of one tenth of agricultural produce. Everybody tried to delay payment of the money taxes because the money was losing its value so rapidly, but some $5,000,000 (specie value) was collected, and the tithe in produce, which roused bitter complaints among the farmers, yielded more. Despite much spoilage at the delivery depots and waste in the whole system, in six months of 1864 enough was collected in the produce tax to support a million men for a month. The tax was re-enacted with concessions. Taxes paid in money netted the government progressively little because huge emissions of paper destroyed its value. So these taxes were raised and new objects of taxation were included. Generally the states followed a lax policy of taxation, preferring to borrow or issue paper money. In all, the people of the Confederacy paid little in taxes, though they paid much, of course, in their acceptance of depreciating bonds and fiat currency.

Secretary of the Treasury Memminger reported that taxes had been a failure, and that if loans were to be relied upon to bring the government purchasing power, the redundancy of the currency, which was far and away the greatest cause of the high prices, must be reduced. Of the total Confederate debt of a billion and a quarter dollars on January 1, 1864, almost three quarters of a billion was in currency. At least five million dollars of this must be got out of circulation. A plan was proposed to fund the notes — that is, exchange the notes for bonds — and thus turn circulating media, which controlled prices, into investments. Voluntary funding had been tried with small success. The notorious Funding Act of February, 1864, resorted to compulsion. It required that the bulk of outstanding notes — paper money — be exchanged for new issues of bonds within a specified time. After that, with a tax penalty, they could be exchanged into new paper money at the rate of three dollars of the old for two dollars of the new. If this last was not done within a set period, any remaining value of the old paper money was to be destroyed by a 100 per cent tax. This was repudiation, a "scaling" of the currency which has been familiar in every clime and time when a government has fatally inflated its currency by paper issues. It destroyed faith in the honor of the Confederacy, and was soon followed

by the resignation of the Secretary of the Treasury. The gold dollar was worth $23 in paper when the act was passed; the funding sank it only as low as $17, but within eight months it was back again at $23 and rose to $40 within two months more. The new notes were, no better thought of than the old, the two continuing to circulate side by side and declining in value together. Integrity was lost and government income was not improved.

Though the Confederacy was founded on the principle of states' rights, the central government was compelled to take arbitrary action. The war was only a year old when it resorted to conscription of soldiers. The law caused protest from poor men because owners of twenty slaves, among others in privileged positions, were exempt, and the conscription was extended and tightened, finally embracing Negroes, free and slave. A year later, in the spring of 1863, the most direct method of getting home supplies for the army was used, namely, impressment. The seizure of food, horses, fodder, and other articles at less than market prices was resented by the most patriotic. Stocks were hidden on the farms and plantations, and the prices of what ventured out to market were, of course, raised.

Rising Prices in the Confederacy

The Confederate Congress, which had not much to its credit in finance, steadily refused to support the value of its paper money by making it legal tender. In any case, such an effort would doubtless have been futile in the face of such a volume of currency. But the whole course of the war was marked by rising and then runaway prices caused primarily by excess and consequent depreciation of paper money. This situation deranged the whole southern economy, as though the war itself were not enough. Rising prices invited speculation, which was engaged in by all classes. Even the government, before the end, disregarding censure which had been visited on private parties, speculated in gold. Opportunities to speculate for themselves with public funds turned officials dishonest. Mounting prices formed the background of the southern picture. Many stories which were current, illustrating this, were not much more extravagant than the fact. One was of a Richmonder in the last year of the war; seeing an officer pass on a magnificent horse, he stepped out from the curb and offered fifty thousand dollars for the animal, only to be answered: "I just gave forty thousand dollars to have him curried!"

The depreciation of the Confederate currency is most accurately measured, of course, by the premium upon gold, which appeared as early as July, 1861, and continued upward, at varying rates of acceleration. A gold dollar exchanged for $3 in currency at the beginning of 1863, for $30 a year later, for $61 in March of 1865, for $1000 after Lee's surrender, and $6000 before the quotations became conjectural. These fluctuations in the main paralleled the amounts of paper money outstanding, which came to be about $1,000,000,000 before the end; but both prices and paper were linked to military successes and reverses. The weighted average of gold prices in the North during most of the war was below prices of 1860, but in the South soon rose to be two and three times what had prevailed before. Cotton and tobacco were scarce and high in the North, superabundant and cheap in the beleaguered Confederacy; thus tobacco (gold price) rose by a fourth in the North, fell by two thirds in the South; cotton rose more than five times in the North, fell to half its usual value in the South. In the South the prices of most articles, in currency, reached enormous heights, coffee topping all by rising to 196 times the former price, salt to 114 times, nails to 91 times, meat to 63 times, cereals to 40 times. Flour, in currency, was at ten times its prewar price by the middle of 1863, and this high price had more than trebled by the spring of 1865. As always happens, there were futile attempts to hold prices down. People are prone, under such circumstances, to blame rising prices on speculators, rather than blaming speculation on rising prices.

The agricultural South, during the blockade, was badly off for manufactures, especially munitions. The chief of the Confederate Ordnance Bureau wrote afterward of the dismaying problem which he faced at the outset of the war:

> Within the limits of the Confederate States, there were no arsenals at which any of the material of war was constructed. No arsenal, except that at Fayetteville, N.C., had a single machine above a foot-lathe. Such arsenals as there were, had been used only as depots . . . not an arm, not a gun, not a gun carriage, and except during the Mexican war — scarcely a round of ammunition had, for fifty years, been prepared in the Confederate States. There were consequently no workmen, or very few of them, skilled in these arts. No powder, save perhaps for blasting, had been made at the South; and there was no saltpetre in store at any point; it was stored wholly at the North. There was no lead or any mines of it, except on the Northern limit of the Confederacy, in Virginia, and the situation of that made its product precarious. Only one cannon foundry

> existed: at Richmond. Copper, so necessary for field artillery and for percussion caps, was just being produced in East Tennessee. There was no rolling mill for bar iron south of Richmond; and but few blast furnaces, and these small. . . .

Desperate Search for Manufactures and Munitions

The South made little cotton cloth and less of wool, and no shoes, so that it could not clothe its troops at home. One of its principal manufactures was paper, for money, but it had no paper mills, and during the war developed next to none, eventually using old wallpaper. Most of the manufactures and mining undertakings started or extended to meet war needs were initiated or subsidized by central or state governments. Thus, the principal powder works was built at Augusta, Georgia; hundreds of men were put to work searching for niter in caves; salt mines were discovered and exploited in North Carolina and Virginia; and machinery for making small arms was carried South from the United States Arsenal at Harper's Ferry. The Tredegar Iron Works in Richmond was placed wholly on government orders for cannon and armor plate, and the short inadequate railroads got public appropriations for the creation of through lines. But in all, little was accomplished. However urgent the demand, an isolated agricultural community cannot industrialize itself swiftly. The South had not listened to its few prophets who for twenty years had begged that manufactures be added to planting.

Now it was too late. Existing industrial equipment was frantically worked and was exhausted faster than new could be installed. Many supplies and repairs could not be had except through the blockade, and the best factories at the end of the war were on the point of breakdown like the One Horse Shay. The president of the Graniteville cotton mill in South Carolina, when peace was declared, went to England and bought a shipload of machinery to re-equip his plant. Advancing federal troops put out of commission every mill and mine they could reach. Southern railroads, which constituted only a fifth of the country's mileage at best, were wrecked by overwork or enemy depredation. For example, Sherman's army, after leaving Columbia, destroyed sections of the South Carolina Railroad; rails were pulled up and laid across burning piles of ties; when they were white hot in the center, soldiers would get on each end of a rail and wrap it around a tree. This sort of damage was difficult to repair!

Immediately on the outbreak of war, therefore, the Confederacy looked to Europe and soon to Mexico for vital military materials and other goods of countless kinds. Purchasing agents were sent abroad by central and state governments, furnished with all the gold the South possessed and all she could raise from foreign sources. The work of these agents, difficult enough at best, was poorly co-ordinated. They competed with one another and with the large number of individuals who arrived in Europe with contracts to supply the government with ships, arms, rations, and clothing. The war was nearly over before any system was established, either in the buying abroad or in the purchase and export of cotton on government account.

Europe was scoured for rifles and cannon; perhaps half a million or more of the former, of many makes, reached the Confederacy through the blockade. A total of 2,700,000 pounds of niter were procured by the powder works at Augusta from Europe. Powder came, too, with millions of cartridges and percussion caps. Flannel, medicines (especially morphia and quinine were in desperate demand), saddlery, blankets, shoes (three quarters of a million pair), bacon, beef, a few warships and other vessels (including the famous *Alabama* and *Shenandoah*), and even some of its flags were imported by the Confederacy in return for more than $12,000,000 (gold) spent by its agents abroad. Private enterprisers, importing all sorts of goods on their own account, generally got rich despite losses of ships and cargoes to the blockading fleet. Munitions and supplies were brought into Texas from Mexico, after having been imported from Europe to Matamoros, in exchange for cotton; but their usefulness to the Confederacy was impaired because the area west of the Mississippi was cut off by federals late in 1863.[1]

The hunger in the Confederate armies at certain times and in certain places has become proverbial. This was not because the South did not try, and fairly successfully, to increase the production of foodstuffs while diminishing the output of cotton. The latter fell from 4,500,000 bales in 1860 to 500,000 bales in 1864. Government, newspapers, and associations worked to this end. The crops of corn and wheat were stepped up. But farmers' and merchants' resistance to impressment and the increasing inability of the railroads to move the food were responsible for galling shortages in some cities and in the army in spite of general sufficiency in the South.

[1] See on Confederate imports Frank L. Owsley, *King Cotton Diplomacy* (Chicago, 1931), and briefer accounts of William Diamond, "Imports of the Confederate Government from Europe and Mexico," in *Journal of Southern History* (November, 1940), and S. B. Thompson, *Confederate Purchasing Operations Abroad* (Chapel Hill, North Carolina, 1935).

The desperate straits of the Confederacy, military and diplomatic, in 1865 were confessed in the willingness to give up the very slavery for which the war was fought. The Confederate Secretary of State Benjamin sent an agent to Lord Palmerston inquiring whether there was not some hidden obstacle to British recognition, and prepared to pledge the South to a plan of emancipation if this would remove British inhibitions. But Palmerston replied that nothing would change the attitude of Her Majesty's government, which was more firmly fixed because of recent military reverses of the Confederacy. Napoleon III spoke even more plainly. The South was not to be saved by deathbed repentance.

At the same time, early in the winter of 1865, as Confederate armies shrank and were harder pressed, the expedient of using the slaves as soldiers gained favor in the highest places, in spite of the view, as put by Howell Cobb, that "the proposition to make soldiers of our slaves is the most pernicious idea that has been suggested since the war began . . . if slaves make good soldiers, our whole theory of slavery is wrong." General Lee and others insisted that slaves enrolled for the army should immediately be given their freedom, which was to extend to their families after the war. However, the act of the Confederate Congress, approved in March, 1865, asked owners to put three hundred thousand slaves in the army, specifically declaring that this implied nothing about freedom then or later. The attempt was not a success.

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Part Four

LARGE-SCALE ECONOMIC ENTERPRISE

Chapter 24

The Aftermath of the Civil War

MODERN AMERICA issued from the Civil War. The surrender of the Confederacy established the nation which until then had been increasingly threatened with disunity. It proclaimed the superiority of the central government over the discordant intentions of any state or group of states, and gave us new strength and harmony at home and new power abroad. Until then we had spent too much energy in debating which government — state or federal — to use for our economic and social advantage. Thereafter the spheres of each were better understood, and we could go on with the more desirable business of benefiting from both. As our economic life became more closely knit, the federal authority gained in relative importance.

Not only was the South recalled, but the West was joined to the nation as it had not been before. The Pacific Coast had been peopled earlier, beginning with the gold rush, but now we occupied the great intervening area between the Mississippi and the Sierras. The Homestead Act of 1862 made land settlement cheap, and many thousands of ex-soldiers and immigrants moved to the prairies, while others exploited the mineral wealth of the Rockies. The transcontinental railroads were not only highways carrying people and products, but bands fastening West to East in political loyalty. In this process the physical frontier, which had so long made our development extensive, disappeared. Our society began to mature by intensive means. Ways of living together rather than the urge toward numerical dispersal took our attention. Our institutions and discovery of improvements in social organization furnished other frontiers for imagination and enterprise.

Industry, finance, and commerce as we know them today — "big business" — date from the Civil War. The war had stimulated production and technological advance. The national market was widened, improving outlets for farm and factory. Political stability and economic opportunity made credit ampler and more confident. Large-scale enterprise soon began to grow with the business consolidations which have

made the giant corporation a characteristic of the American economy. The "captain of industry" — in railroads, oil, mining, steel, and varied manufacture and sale — drew our admiration, was the symbol of progress. His exploits rested on our accumulated wealth, abundant raw materials, and increasing population and labor supply. He was often assisted, directly and indirectly, by government.

These enterprisers mustered such power that government, in protection of the public interest, found it necessary to regulate their activities and set bounds to selfish ambition. Anti-monopoly and other controls, beginning with the states, passed to national authority and exercise. To federal support and correction of private enterprise was to be added enterprise by the government itself in the Panama Canal, irrigation projects, and later in an unguessed variety of forms.

Shortly after the Civil War more than half of all our workers were in the extractive industries — agriculture, mining, forestry, and fishing. Thereafter the proportion in these occupations which took products from nature steadily declined to less than one sixth by 1940. Meantime, there was remarkable increase in the percentage of workers engaged in manufacturing and mechanical industries, trade, transportation and communication, clerical occupations, and professional and public services. After the Civil War those in the technical professions, such as engineers, chemists, architects, designers, and draftsmen increased more than forty-fold — from 11,200 in 1870 to 471,700 in 1940. Mechanical, chemical, and electrical engineers increased at a faster rate than civil engineers. To this growing complement of scientific workers we should add more than seventy-five thousand technicians and laboratory assistants, not to speak of the vast numbers engaged in trades of aviator, radio operator, electrician, mechanic, and toolmaker, requiring technical knowledge as well as skill. While the total labor force grew from twelve and a half million to fifty-two million, the percentage of unskilled laborers declined, that of the semi-skilled increased, and the percentage of skilled remained about the same; that is, the mechanical age needed relatively less muscular power and more trained operatives. The labor force in the metal trades group increased eleven times, or nearly three times as fast as the whole labor force.

On the part of workers, trade-unionism, after trial efforts, assumed the pattern which was to continue for more than fifty years. In discipline and divorce from political distraction the unions composing the American Federation of Labor were essentially different from those which went before. With exceptions, they were selective in their membership,

neglecting large and needy groups of workers, such as women, immigrants, and Negroes, who were brought on the scene by the industrial development of the period. Changes in industry which diluted skill and blurred craft distinctions resulted in attempts at inclusive unions. This movement was to wait for full vindication until wholesale secession from the American Federation of Labor, recruiting from mass-production workers, became a rival Congress of Industrial Organizations with political as well as economic pretensions.

Another contingent which the Civil War made vocal in our public life was the veterans. Along with everyone else, they organized as they had not done before to press their claims on the national economy and to use their influence through the ballot box. They were to become not only a large element in Treasury expense, but a force with which national policy, domestic and foreign, must reckon.

The Civil War inaugurated an almost unbroken history of high protective tariffs, obtained by the predominant interest of northern industry and investment. It may be said that until the Civil War the South, often with allies in other sections, had enjoyed the chief political power. After the war the North and West were in control for two generations, producing at times a virtual identity of business ambition and congressional action. Developments beginning with the Civil War, among them high protection, altered the sources of federal funds. We began to rely less than formerly on customs duties while we magnified internal revenue and income taxes.

By freeing four and a half million Negro slaves the Civil War opened race cleavage which had been avoided before only by total subjection of the black minority. To this race division others, unhappily, were added, as more immigrants arrived from countries of eastern and southern Europe and the Orient. As distinguished from the earlier immigrants from England, Ireland, and Germany, the newcomers were less readily assimilated to American culture. Though the fault lay probably more with the hosts than with those of the fresh influx, discrimination on account of race, religion, and national origin became a too familiar deterrent to democracy.

In the period after the Civil War many causes united for the emergence of America as a world power. Lincoln was the first figure of international stature whom we had presented since the early days when Washington, Franklin, Jefferson, and Hamilton ranked with the great of all lands. Our industrial ingenuity, accumulation of wealth, and political vitality impressed our example on the world. Earlier assertion

of our right to protect the Western Hemisphere progressed to acquisitive ambition, innocent in the purchase of Alaska from Russia in 1867, but less laudable in method and purpose in our seizure of Puerto Rico, the Philippines, and Hawaii. In the Caribbean and Central America our imperialism, territorial and financial, was less obstructed than in China, where our "open-door" policy pretended to be something better than the means of meeting rival ambitions.

American imperialism, our desire to annex or exploit foreign parts, required a long time to turn into a better sort of international participation. After the First World War, in spite of President Woodrow Wilson's creative rôle in the League of Nations, we were not prepared to assume in co-operation with other powers steady responsibility for the world's peace and progress. That attempt might have failed with our help. It could not succeed without it. After the Second World War our projection into global problems seemed inevitable and permanent, for better or worse. We had the richest resources for aiding in material restoration; we were the chief possessor of the technique of releasing atomic energy; we were the most vigorous of the political democracies; and new contests loomed which demanded that we must be willing to learn as well as teach if we were to play an heroic part in realizing the hope of "one world."

In the chapters which follow we shall have to examine these and other phases of our national economic development in some detail. They cover, in a word, the maturing of American capitalism, with the beginnings, perhaps, of contrary tendencies.

No war is suddenly over, no signatures to a peace bring instant harmony. This is particularly true of an internal conflict. Time is needed for hot hatreds to cool and for rancors to disappear in changed habits. Great new social forces have been set in train which will gradually put aside old issues. But tumult is apt to be the immediate sequel. This was the case in the decade following Appomattox. In our story of the post-Civil War period, "Reconstruction" of the eleven southern states which had seceded from the Union has an important place. The political aspects of reunion were more conspicuous at the time than were the economic and social motives and results, but the latter claim attention here.

Lincoln wanted to get the revolting states back into the Union as quickly as possible, with minimum attention to "pernicious abstractions," which, if emphasized at the beginning, would be magnified into causes

of sectional hatred. On January 1, 1863, Lincoln signed the Emancipation Proclamation freeing slaves within the territory at war with the federal government; just before the end of the war he approved setting up the Freedmen's Bureau, an administrative organization to guard the rights and welfare of the millions so recently thrown on their own responsibility. Lincoln did not insist on the vote for freedmen; he approached this question cautiously, suggesting a limited suffrage, confined to "the very intelligent, and especially those who have fought gallantly in our ranks."

Andrew Johnson, the Vice-President who became President on Lincoln's assassination, quickly passed through an initial phase of vindictiveness toward the defeated Confederates in which he declared that "Treason must be made infamous and traitors must be impoverished." Thereafter he tried to elaborate Lincoln's conciliatory policy toward the South. He was conscientious and democratic, but failed as a consequence of some mistakes and more misfortunes. He was a Southerner (Tennessean), not of the dominant Republican Party, and without political support from those he was trying to help because the southern states were not represented in Congress. He inherited the radical northern opposition that had already begun to be built up against Lincoln's moderate policy of Reconstruction. But mainly it was the era of industrial revolution in the North and West which was to control politics for its own ends. Lincoln, with his power to win the opposition, might have prevented harsh measures. But Johnson, lashing back at ready-made enemies, was overwhelmed by them. Factories, railroads, banks, cities, merchants, free laborers, immigrants, pioneers, had just proved their cumulative superiority to an agrarian culture depending upon black slavery. That a strident North would step on a prostrate South was nearly inevitable. Lincoln, had he lived, would have been a symbol of reunion. The southern shot that killed him gave the signal for northern revenge.

The harsh measures to which the South was treated for a dozen years under military rule were engineered by those in the radical wing of the Republican Party, but with the consent of the conservative wing and of large numbers of northern and western Democrats. The leaders of radical Reconstruction had hated slavery and believed that the whole southern régime which had arrogantly supported that institution should be exterminated. The victory of the North in the war had cut the stalk of the noxious plant, and Reconstruction of the revolted states must grub up the roots and tendrils.

Of equal importance in the minds of the radical Republican managers of Reconstruction was the purpose to protect and advance the industrial and finance economy of the North which had been so greatly promoted by the war and its outcome. This was partly a selfish motive in individuals, for their private business advantage, but in a larger sense it was the continuing conflict between an industrial and an agricultural society. Those who were most conscious of the economic interests of the North wanted power in the federal government for a variety of objects. They sought high protection for industry, concentrated control over banking, deflation for the benefit of creditors, light taxes on the rich, freedom for railroad promoters and speculators and investors to invade the public lands, and a distracted or numbed national conscience which would not thwart congressional graft.

But all these objects of northern business enterprise were precisely those which the South, with its agricultural economy, had long opposed, and which now, if it were promptly restored to voice in national affairs, it would block with new vehemence as compensation for its humiliation in military defeat. So the South must be kept out of Congress. Southern congressmen alone might be defied, but if they were permitted to join their votes to those of northern Democrats, cherished business designs would be undone. Moreover, the Republican Party must be kept solid for these special business aims. The radical Republicans were a minority, since most members of their party were more moderate in emotional attitude toward the beaten South, and far from agreement with the radicals on what the economic program of the country should be. This dissent was especially strong in the West, where small farmers, self-reliant enterprisers, and debtors were jealous of concentration of economic and political power in the Northeast. It would be bad enough, from the standpoint of the new northern business claimants, to have Democrats of all sections unite against them; but if the West, which had been the ante-bellum economic ally of the South, were allowed to rejoin the old slave states in sympathy, the ambitions of business aggrandizers would be forfeited.

The plan of uniting North and West against the South and of excluding the South from political voice and economic influence could be accomplished by thoroughgoing reconstruction of the defeated section. The elements in the rest of the country which were more favorable toward the South, could be distracted by "waving the bloody shirt"; that is, hatred of victors for vanquished, which threatened to die down now that the war was over, would be fanned into new flame. Every

instance of recalcitrancy in ex-Confederates, every "atrocity" practiced on the Negroes would be paraded, while full rights of the freedmen were to be insisted upon. The "bloody shirt" was to serve the purpose of the scarlet cloak held by the matador before the bleary eyes of the bull; it would be waved to catch his fascinated gaze, then lowered to draw his horns down so the sword could be plunged between his shoulders. Thus predatory northern business, by a ruse, would master its powerful but outwitted opposition.

The four years of war had given powerful stimulus to northern business enterprise. Rapid production had been the demand, with no censoring of methods. Industrial exploiters, railroad projectors, landgrabbers, financial profiteers, corruptionists of all sorts had prospered mightily. In the war period American big business grew from childhood to youth. In the tumultuous years immediately after the conflict, it sprang into full manhood. Following surrender of the South there was bound to be a political, moral, and economic let-down in the North. The intensive effort to save the Union called for a breathing spell. At this psychological moment capitalism stepped in to claim the fruits of a victory which all had won. By this means public regulation of industry, finance, and transportation was delayed for twenty years or more. Meantime, monopolistic business and concentration of ownership had progressed to a point where government control of them was difficult.

The radicals wanted continuance of war extravagance in congressional appropriations, and succeeded, as typified in enormous subsidies to railroads and in the "salary grab" in which members of Congress increased their own pay by two thirds. They emasculated the plans of the Revenue Commission, headed by David A. Wells, for revision of the war tax structure. Import and internal taxes on necessities of life, said Wells, should be reduced or abolished, and those on realized wealth, such as the income and luxury taxes, should be retained. These were the views of the masses of the people. But the radicals were able to drop the income tax, keep the high tariffs, and reduce internal taxes where business was injured, while leaving burdens on the average citizen. Thus profits gained and consumers lost.

Farmers, small-business men, and debtors wanted continuance of inflation, with more paper money added to that in circulation. This would allow them prosperity, easy payment of what they owed, and would cripple the money monopolists whom they feared; but the radicals pushed through a bill in 1866 for contracting the greenbacks, though they had to permit reissue two years later. They supported the demand

of bondholders that government pay interest in gold, and that bonds not be subject to taxation. The popular cry, in contrast, was for paying interest in greenbacks and for scaling down the public debt.

The radicals protected the new National Banking System against strong opposition of the state banks and of all who resented stabilizing of the currency. The national banks concentrated money power in the large northern seaboard cities, chiefly New York, and this Wall Street control was feared by the interior, especially the West. Farmers and other debtors thought the power of national banks to circulate their notes ($281,000,000 in June, 1866) should be taken from them, since government could more than fill the gap with its own paper money. But the national banks were supported by Congress at every point, while note issues of state banks were taxed out of existence.

The country found monopoly, especially of railroads, odious, but it was just these monopolies which the radicals managed to defend and enlarge. High rail rates and discrimination between shippers fed the agitation carried on by the new farmers' organization (the Grange) for legislative correction of abuses. But the railroads, especially those flinging their lines across the continent, had many friends in Congress and bought the others whom they needed.

The radical Republicans were able to keep the high war tariff, erecting it into the shibboleth of northern prosperity, not only for industry, which it was, but for labor and even for agriculture, which it was not. Any gesture toward free trade was discredited because that had for years been the demand of the South, and was the policy of England which in the beginning had favored the South. Most manufacturers had expanded their plants during the war beyond peacetime requirements, and could not operate them without the artificial protection of the tariff. This was particularly true of the woolen manufacturers, who had rushed in to fill the demand caused by the shortage of cotton, and who now combined with the wool-growers to increase the protection for raw material and finished product in a law of 1867. The radicals would have pressed then for more protection all along the line but for the fear of alienating western Republicans who were unwilling to sacrifice the interests of farmers to the demands of industrialists.

President Johnson made three demands of the constitutional conventions called in the states of the former Confederacy — that they formally abolish slavery, repeal the ordinance of secession, and repudiate Confederate war debts. The conventions complied with these conditions, but none conferred suffrage on Negroes, and the legislatures elected in

the fall were white. When the Thirteenth Amendment, which said that slavery should no longer exist in this country, was ratified, the President reported to Congress in December, 1865, that all states lately in rebellion were reorganized with their legislatures, governors, and national representatives, and were ready to be readmitted to the Union.

Freedmen and "Black Codes"

The South paid no attention to the requirement that those sent to Congress take the "ironclad" test oath that they had "never voluntarily borne arms against the United States," nor had given aid to rebels. The delegations were full of Confederate generals and members of the secession Congress, led by Alexander H. Stephens, Vice-President of the Confederacy, who now presented himself as Senator from Georgia. All were refused admission to Congress. Johnson's plan of Reconstruction thus received a body blow at the outset. His northern opponents, steadily growing in numbers and cohesion, did not like the complexion nor the actions of southern legislatures. Prominent Southerners, in the first shock of defeat, had adopted a petulant attitude. Some expatriated themselves to Mexico, others colonized themselves in Brazil; there were abortive attempts at plans to ship the freedmen to Haiti or Liberia and bring Europeans to take their places in the fields. But following such vain defiance, southern legislatures put aside projects of escape from the Negroes, and turned instead to "black codes" for their discipline.

Governor Perry of South Carolina declared, "This is a white man's government and intended for white men only." This was characteristic of laws now framed for control of the freedmen. The social problem which they presented was critical in a defeated and devastated country whose system for the livelihood and welfare of the Negroes had been destroyed. The southern economy was called upon by the North to go from feudalism to free labor at a bound, but paternalism could not change to democracy in a twinkling. Most of the freedmen remained on their old plantations, while other scores of thousands had gone within the Union lines, to be cared for in the emergency in camps and stations, or to work on allotments on abandoned plantations under the military authorities or the Freedmen's Bureau. Many another ex-slave trudged about the country roads or drifted to town, equally destitute in either case.

It has often been said that the freed slave took out his sudden liberty in aimless wandering. The charge is only partly accurate. Freedom

had no substance. On many plantations there was nothing to stay for — no food, no stock, no tools. The ex-slave, by definition, was penniless, owning only the poor clothes he stood in. He had never been allowed, let alone been taught, self-direction. Brought up in dependence, there was nobody to be dependent upon. A race which had been condemned to toil for others, which had been denied civil rights and responsibilities, and which was refused the alphabet lest it become arrogant, could not quickly become industrious, ingenious, and stable. Negro family ties, where they had existed, were many times broken. The infirm and the orphaned were simply abandoned to their fate.

The "black codes" limiting the freedmen's civil and economic rights attempted to adjust to the changed conditions the millions who were no longer slaves and who were not regarded, in fact or law, as citizens, but the adjustment was mainly in favor of the white man, his habits, interests, and fears. The provisions now decreed by Mississippi and South Carolina, where there were more Negroes than whites, were the most severe. These, industriously advertised in the North, convinced that section that the ex-Confederates were trying, by legislation, to salvage all they could of the old slave status, and that none of the privileges of citizenship would be conferred on the Negro unless insisted upon by the victors. A group of rules were designed to keep Negroes at work for their former masters. Minors and orphans could be apprenticed until of age, and disciplined with corporal punishment. Vagrancy was given loose definition and summary correction. According to the Mississippi law, Negroes over eighteen years found without employment or unlawfully assembling and "all white persons assembling themselves with freedmen" were to be considered vagrants and be fined amounts impossible for them to pay. Then they were held in jail until an employer (preference being given to the former employer) agreed to pay the fine and take the Negro to work it out. Negroes must make annual contracts for their labor in writing, their tasks, long hours of work, and deportment being carefully prescribed, and if they broke these contracts all wages due could be withheld. Enticing away of "servants" from "masters" was punished. The system intended was one of peonage.

Most of these laws for coercion of the freedmen were never enforced, being overcome by the Freedmen's Bureau, annulled by the governors, and soon made void by the Civil Rights Act of Congress. This law declared Negroes everywhere to be citizens of the United States, gave them equal rights with whites in court, and allowed them to buy and sell property.

Radical Reconstruction

Now came the new turn which has made Reconstruction a fighting word with Southerners ever since. Reconstruction by the President, or through constitutional amendments, was displaced in favor of management by Congress. This "radical Reconstruction," which was to continue with lessening force for a decade, held the white South powerless while it was chastised. The leaders of radical Reconstruction interpreted the Constitution to suit their purposes; they had a deep distrust of the aristocratic whites, a practical indifference toward the poor whites, and a strong — even fierce — solicitude for the blacks. This last was partly humanitarian, partly political. Southern representation in Congress, once the states were reconstructed, would be increased, because then not three fifths of the Negroes would be counted (as under slavery), but five fifths. If southern Democrats were allowed to control the Negro vote, then the Democratic Party might again come to control Congress. If the Republicans went out of power, Northern industrialists, railroad builders, bankers, and financiers would go with it. The country would slip back under the control of agricultural interests which had dominated before the war. There would be an end of government support of the new big business.

When Congress met in December, 1865, the radical Republicans began to take Reconstruction out of President Johnson's hands. The leaders of this group were Thaddeus Stevens in the House and Charles Sumner in the Senate. These rigorous Abolitionists, who became virtually the rulers of the southern states and to a less extent of the whole country in the next years, should be more than names to the reader. Stevens, old, with a face set in hard lines and dried like a mummy's, was a Pennsylvania iron manufacturer, then a lawyer at Lancaster. A wig covered, but somehow could not hide, his bald head. Similarly, his sarcastic wit was but an incongruous disguise for his fierce intolerance. No man could doubt the sincerity of his insistence on democratic rights for Negroes. His career, public and private, was consistent on this cardinal point. He urged that the chief rebels should be hanged, their property seized toward payment of the national debt and indemnification of freedmen and loyal sufferers. The seceded states were "conquered provinces," which should now be administered as territories where ex-Confederates could "learn the principles of freedom and eat the fruit of foul rebellion."

Senator Charles Sumner of Massachusetts, on a larger mold, was a

sword where Stevens was a dagger. He had enjoyed advantages of education, travel, and association with other publicists and men of letters. His great frame (he was six feet four) could not save him from a brutal assault from behind by Preston Brooks of South Carolina in the Senate Chamber in 1856. He was the determined friend of the ex-slaves, demanding for them votes, free schools, and free farms, and he was the foe, not only of those whom he thought their oppressors, but of all in authority who were lukewarm to his advocacies.

The Fourteenth Amendment

Stevens now secured the appointment, with himself as chairman, of a joint committee of fifteen congressmen and senators, to "inquire into the condition of the states which formed the so-called Confederate States of America and report whether . . . any of them are entitled to be represented in either house. . . ." The Joint Committee on Reconstruction soon became the real Congress. Important Reconstruction bills were soon passed over President Johnson's veto. The first of these extended the life and enlarged the work of the Freedmen's Bureau, which should now rent and afterward sell to slaves forty-acre farms, with houses on them, provided by the federal government, and build schools and asylums. Johnson and his friends considered this would put too much power in administrative hands, intensify racial animosities in the South, and support idleness. The Civil Rights Bill, declaring Negroes citizens and giving them judicial and property rights, was another passed over the veto. The President honestly believed that the South, despite the old slavery, knew best how to accord rights to the Negroes. The only unsuccessful thrust of the radicals at President Johnson was their effort to convict him, in May, 1868, after impeaching him "of high crimes and misdemeanors in office." There had been threats of impeachment against him before. His prosecutors, though led by Thaddeus Stevens, lost by one vote of the needed two thirds in the Senate sitting as a court.

The radicals framed the Fourteenth Amendment, and sent it to the states. It was generally guessed that no secession state would be readmitted until it ratified this amendment, which provided that Negroes are citizens of the United States and of the state of residence; that no state shall make any law abridging the privileges of citizens of the United States; deny to any the equal protection of the laws, nor "deprive any person of life, liberty, or property, without due process of law." All

the states which had seceded, except Tennessee, for a time rejected this amendment. The amendment was intended, of course, to protect the freedmen, but has been used since, especially its "due-process" clause, to protect great corporations (viewed as "legal persons") against state police legislation designed for the public benefit. This has been a strange and unfortunate perversion of national motive.

The Reconstruction Committee's majority report pictured the unreconstructed states as being hardly less in rebellion than during the war itself. The radical Republicans had made President Johnson impotent. They had matters in their own hands. Since the states lately in rebellion had rejected the "remote control" offered in the Fourteenth Amendment, other and more coercive means would be used.

Major-Generals, Carpetbaggers, Scalawags

The first Reconstruction Act, declaring that no legal governments existed in the southern states and that life and property there were without protection, provided for military control by the United States until these commonwealths could be readmitted to the Union. Over each of the five military districts into which the ten states were divided a major-general was to be placed in command, with authority to supersede civil with military courts if necessary. This "bayonet rule" was all that Stevens desired. It would protect loyal men, white and black, from "outlawed communities of robbers, traitors and murderers."

The control of the major-generals continued until June, 1868, when seven states — all but Mississippi, Texas, and Virginia — were readmitted to the Union. The military rule, since the legislatures were forbidden to meet, was supreme under the authority of Congress and removed many southern officials opposed to radical Reconstruction, levied taxes, and brought in a large number of federal agents and officeholders who promptly began to organize the Negro voters who were now registered in numbers superior to the whites. There were black majorities in Alabama, Louisiana, South Carolina, Mississippi, and Florida, and in the remainder of the states the blacks with their radical white allies were dominant. These radical whites, who played such a large part in Reconstruction, fell into two groups, called by their opponents "carpetbaggers" and "scalawags." Carpetbaggers were Northerners — Union soldiers who had remained in the South, agents of the Freedmen's Bureau or the Loyal League, federal officials, teachers, preachers, those who had come South to speculate in the cheap lands,

and some political soldiers of fortune.[1] Scalawags were native Southerners who sided with the North — up-countrymen who, if not always loyal to the Union, had opposed the Confederacy; ambitious men who had never been recognized by the landed aristocracy, and some of that aristocracy who, now that the war was over, thought it best to join with the victors and try to moderate their rule. By no means all of these men of either class deserved opprobrium, though others were plunderers of a beaten country and cynical exploiters of Negro voters and legislators.

Negroes Defended and Attacked

The radical whites tried to destroy the power of the ex-Confederates by outlawing them as voters and officeholders and elevating the Negroes in ways that made them superior in strength to their former masters. The Negroes were not vindictive. They wanted the vote and other civil rights, and schools.

Three organizations which played crucial parts in Reconstruction were the Freedmen's Bureau, the Union League, and the Ku Klux Klan. The first was set up by Congress just before the war ended and continued active for three and a half years until the beginning of 1869. It took over the emergency work of the northern army commanders in providing food and employment for thousands of refugee and abandoned Negroes, and co-ordinated the efforts of numbers of Freedmen's Aid societies in the North which sent in funds, teachers, missionaries, and nurses. General Howard, head of the Bureau, counseled the ex-slaves that they must warrant their freedom by working. The Bureau, however, had to meet immediate needs of Negroes and whites alike by distributing food; in September, 1865, when the first destitution had been reduced, there were still 1,400,000 rations given out. While there were free common schools in the South before the war, the Reconstruction period made the public schools a social force. The Bureau spent six million dollars for this purpose, and the work was expanded by the legislatures afterward. Any sort of building or shed became a school in which Negroes from very young to very old were eager pupils. The

[1] A South Carolina country paper, the *Fairfield Herald*, gave its picture of carpetbaggers and freedmen in the legislature, in a blast against "the hell-born policy which has trampled the fairest and noblest States of our great sisterhood beneath the unholy hoofs of African savages and shoulder-strapped brigands — the policy which has given up millions of our free-born, high-souled brethren and sisters, countrymen and countrywomen of Washington, Rutledge, Marion, and Lee, to the rule of gibbering, louse-eaten, devil-worshipping barbarians from the jungles of Dahomey, and peripatetic buccaneers from Cape Cod, Memphremagog, Hell, and Boston."

Bureau supervised labor contracts of the freedmen, protecting them against coercion into slavery again under various pretexts. Courts of the Bureau settled disputes in which Negroes were involved. "Forty acres and a mule" lived in the hopes of the freedmen rather than in promises of the Bureau, but abandoned and confiscated lands were parceled out to ex-slaves in many districts. It was inevitable that the Freedmen's Bureau, touching the lives of Negroes and whites at the most critical points, would incur hostility of those who had been masters of the South. White animosity toward the Bureau was increased as it became more and more a means of instructing and organizing the Negroes as Republican voters.

This was done in co-operation with the Union or Loyal League, which had been started in the North in 1862–63 to bolster support for the Union cause. League men began to gather Negroes into their membership during the war, and when it was over formed councils in every southern district and state. The League meetings and initiation ceremonies, held at night in a Negro schoolhouse or church, used much of the mummery, oath-taking, passwords, and signs characteristic of the opposing white organization, the Ku Klux Klan. The League was the principal means of preventing the Negroes from coming under political control of their former masters; it was the parent of the solid black Republican vote.

The Ku Klux Klan and Its Methods

The Ku Klux Klan was an extra-legal — too often illegal — attempt to prevent the Old South from being overwhelmed in Reconstruction. Even before the war ended, local vigilance committees of whites had sprung up and they spread during the disorder that followed the surrender. They were known by all sorts of names — Black Cavalry, Men of Justice, Pale Faces, White Brotherhood, Sons of '76, and many more. The Ku Klux Klan absorbed most of its rivals. It was started as a social club by young ex-Confederate officers at Pulaski, Tennessee, late in 1865, the name being a corruption of the Greek word for circle, *kuklos*. What began as mischief, such as scaring Negroes by ghostly shapes, soon spread and became malicious. The local Dens, as they were called, banded together when radical Reconstruction began. The Ku Klux Grand Wizard was General Forrest, who had commanded the Confederates when surrendered Negro troops were massacred at Fort Pillow. Subordinate officers in a hierarchy which reached down to the

local Den were called by such names as Dragon, Hydra, Titan, Fury, Goblin, Cyclops; rank-and-file members were called Ghouls. The fearsome methods of these night riders in striking down Negro equality were not to the credit of those vindicating white supremacy. The Klan burned buildings where the Negroes assembled; flogged, maimed, and murdered, until they were formally disbanded in 1869. Later the Klan and similar orders rode again — now openly — under the Shot Gun Plan of Mississippi and the red-shirted Rifle Clubs in South Carolina, which used bullets to drive away black ballots and restore the white South to power.

Negro Domination

Radical Reconstruction lasted for different periods in different southern states. Beginning in 1867, it was briefest in Georgia, Virginia, and North Carolina, and was not over in South Carolina, Louisiana, and Florida until 1876, while the federal troops were not all withdrawn until 1877. Radical domination of the southern states was made possible by disfranchisement of one hundred thousand native whites and disqualifying two hundred thousand from holding office, and, on the other hand, by giving votes, legislative and judicial seats, and all sorts of public place to the Negroes. Thus, the Reconstruction state governments were alien in that they had their moral and military support from the North. They were native southern in that one class, which never before had had public voice, could now swing any election, the Negroes, and groups of whites — poor men, especially from the up-country, and small-business men — which had carried little weight previously now had effective representation.

The era of the "carpetbag" governments, elevating the ex-slave to posts formerly pre-empted by the masters and practically excluding the latter, has often been called a "saturnalia," or "political orgy," exhibiting a "mass of corruption." This description was partly accurate, was not much different from what was going on in Congress at the same period, and was partly untrue. It was a revolutionary situation. As the Negroes said, "The bottom rail was on top," and the effort was to keep it there. For students of economic history the lesson of Reconstruction is that a whole society may not for two hundred years be based on exploitation without violent accompaniments of change when that change comes. The Civil War was the introduction to revolution; Reconstruction was the revolution itself.

It seems unkind to say that a decade of Negro domination, so utterly abhorred, was poetic justice to the master class of the South, but there had been domination of owning whites for twenty decades, and of a far more comprehensive sort. If there was robbery during reconstruction and denial of rights of man and citizen, there had been completer robbery of the slave. The South had sowed the wind and was reaping the whirlwind. The pity is that the whirlwind was so violent that when Reconstruction had spent itself, the white South devoted major energies to "putting the Negro back in his place." Cardinal gains for the Negro and the whole of southern society remained, such as abolition of slavery, emancipation of the poor whites from a thralldom hardly less severe, wider education, and the beginning of varied economic enterprise. But in many ways the white South has taken pains, the Negro's number having come up once, to make sure that the dice be loaded against him in the future.

It is not surprising that Reconstruction legislatures, with memberships largely of men thrust from slavery into sovereignty, should have spent more money than had been done in the same states before the war. Some of this was unwisdom, some of it was thievery big and little. But this was less the result of race than of war. Much of the increase in taxation and state debts was necessary. The South had to be rebuilt and reorganized, physically and in its institutions. For this expensive work there was nothing at hand but destitution, society torn asunder, and a ruined credit. South Carolina peddled millions of dollars of her bonds in New York at twenty-five cents on the dollar, and some other states realized less. Railroads had to be rehabilitated, and some of those now corruptly subsidized had received mistaken and dishonest legislative favor before the war. Whole new social services had to be launched, for blacks and whites alike, such as public education. Land had to be acquired for rent or gradual sale to Negro farmers. There were land frauds in the South, but not approaching in magnitude those in the North at the same time, and the black settler enticed into a swamp or onto a sandhill was not more cheated than many a Nordic on northwestern plains.

When Reconstruction was running its furious course, conservative white Southerners would have had it believed that, were they in charge, their conduct would have been as pure as the driven snow. We may wonder. To begin with, thousands of the responsible statesmen of the Old South were in soldiers' graves. Some of those who most plundered the treasuries were whites, promoters of railroads and others, who were

claimed by the conservatives. Finally, when the whites recaptured the states, their treatment of Negro rights was as contemptuous as any the Negroes had visited upon their former masters. The truth is that the Old South, for good or bad, was gone; as we shall see, when the new white politician came into power after Reconstruction, he made his appeal to the suffrage of the ignorant white masses with no more sincerity than the carpetbagger had entertained for the freedmen, and with quite as much purpose to stir racial hatreds.

Abuses in Public Finance

Public expenditures after a war never slip back to where they were before it, but the increased outlays of the Reconstruction governments were due to corruption more than to need or even to simple waste. Running expenses shot up anywhere from 200 per cent to 1500 per cent. The Alabama state tax rate rose 400 per cent, that of Louisiana twice as much, and that of Mississippi, which had not the privilege of issuing bonds, almost twice as much again. This was only partly because assessment values had shrunk so drastically. Especially in the lower South huge areas were delinquent and could hardly be sold by the authorities for taxes. State and local bonds were extravagantly issued, particularly to assist the rebuilding or extension of railroads. Radical lawmakers and governors were unashamed in taking bribes for voting staggering debts. Thus, South Carolina's debt rose from $8,000,000 at the end of the war to $30,000,000 or thereabouts — nobody could tell just how much it was — in 1873, and other states exhibited the same recklessness. The Legislature of South Carolina paid out $200,000 for State House furniture which had a value of less than $18,000. Large sums went in graft. South Carolina's bill for public printing in eight years of Reconstruction amounted to more than twice as much as in the whole preceding history of the state. A railroad lobbyist swore that he paid $80,000 to get a bill through the Louisiana Legislature, and more than that to buy the governor's signature. Outrageous prices were paid for nearly worthless lands to be resold to Negro farmers. Of a tract of seven thousand acres in Chesterfield County, South Carolina, bought by the Land Commission for $44,418, the agent of the secretary of state, after inspection, wrote: "It is one vast sand-bed from one end to the other, and, if sold at one dollar per acre, no set of people under heaven could raise enough to pay for it." These outlandish appropriations were made by legislatures the members of which, not unnaturally

under the circumstances, paid next to nothing in taxes themselves. White adventurers from outside the South got much more of the graft than did the Negroes. The general testimony was that Negroes were among the ablest and most honest members of the Reconstruction legislatures. The notion which has become current since, that Negro legislators were led around by the nose by carpetbaggers, is not supported by contemporary observation.

Beginning with Tennessee in 1869, the conservative whites gradually expelled the radical governments in the South, of which the last three — South Carolina, Florida, and Louisiana — were "redeemed" by 1877. This turn of events was due to a combination of influences in both North and South. The Republican Party was being discredited by the scandals of the Grant administrations; if national and northern state legislatures were for sale and cities were ridden by bosses, the appeals of native white Southerners for relief from their predatory governments should be heard. All of the ex-Confederates were re-enfranchised by Congress in 1872. The North was absorbed in its own development of industry, transportation, and agriculture. Then came the panic of 1873 and depression, which gave the North its local problems of reconstruction. Grant got tired of sending troops down to southern states to insure radical victories at the polls. The Republicans in the South split and quarreled as there was little left to loot.

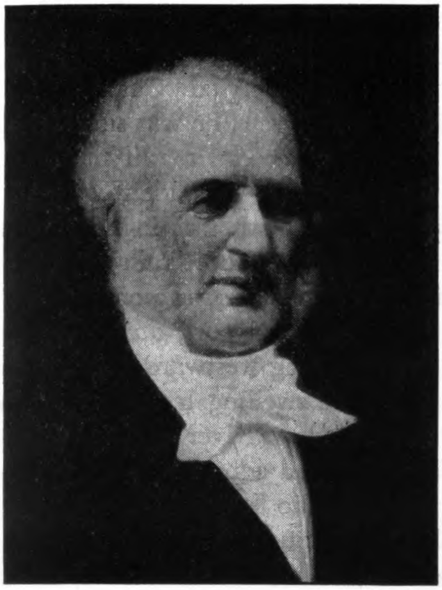
At the same time the whites in the remaining Reconstruction states made an intensive effort to capture control in their governments. They used violence and fraud. From this time on, the whites were again in power, though Negroes continued to be returned to the legislatures in dwindling numbers for a dozen years or so. However, the price of restored white supremacy was a "solid South," unbroken in Democratic allegiance for more than fifty years for fear of Republican — which is to say Negro — resurgence. Beginning about 1890, the Negro was completely excluded by the rise to dominance of poor white men under demagogic leaders who have held sway here and there in the South to this day. These régimes have used the most arbitrary means of keeping Negroes from the ballot box and from economic, social, and educational improvement. The whirligig of time brings in its revenges. The poor whites had been put in bondage equally with the blacks. In claiming their freedom, they deny opportunity to others, and, in this very act, to themselves. If the South, as a President of the United States has said, is "the nation's number one economic problem," this is mainly due to the tedious heritage from slavery.

In the course of this chapter we have referred several times to the calculating designs of business promoters in the North, which, with disdain for the public welfare, accompanied the harsh methods of Reconstruction used in the South. Ill-considered means of restoring revolted states to the Union formed a screen behind which many industrial and financial manipulators worked to turn the results of the war to their selfish advantage.

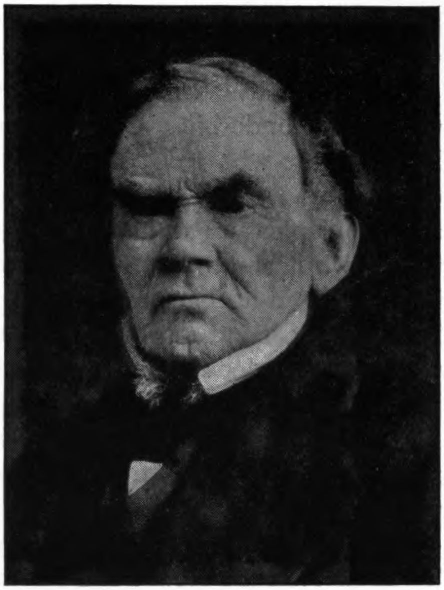
Jockeying of Railway Stock

Episodes in the history of the Erie Railway, recounted by Charles Francis Adams, illustrate characteristics of the post-war period — the violent speculation, and how powerless was the public in the face of faithless corporate trustees in league with corrupt judges and bought legislators. The Erie, a through line with uniform broad gauge running from Jersey City to the region south of the Great Lakes, built in 1868, and 773 miles long was New York's principal railroad connection with the West. Since its physical condition was an afterthought with Daniel Drew and others of its officers and directors who used manipulation of its securities to enrich themselves, its tracks were as strewn with wrecks of its rolling stock as was Wall Street with wrecks of its capital stock. Its rickety, swaying coaches were emblems of the drunken financial history of the road.

Daniel Drew, the treasurer of Erie, had given fresh proof of his talents in 1866 by an operation in its stock as profitable as it was unprincipled. He had sold short (agreed to deliver at a future time) immense quantities of the stock at prices near par, and then had covered (bought the stock he needed to fulfill his contracts) at half the price after throwing on the market suddenly 58,000 shares which he controlled because he was treasurer of the road. While there were little bears and middle-sized bears aplenty, Drew was the big bear of Wall Street. Born in 1797 in up-state New York, he began by buying cattle and driving them down to the New York City butchers. It is said that the term "watered stock" derives from a favorite trick of his in the cattle business. The last long day of the drive he would make his scrawny cows and steers go without water. Then just before delivery and weighing, he would feed them salt and lead them to the water troughs. Once proprietor of the Bull's Head Tavern, rendezvous of the cattlemen, he went in for steamboats, and later, when even this gloomy man was convinced that railroads had come to stay, he switched his attention to them. The Erie became his special love, which by turns he caressed and kicked. He was a

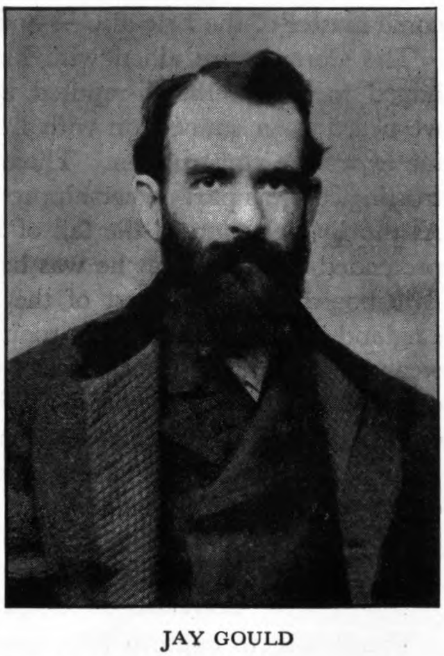


"COMMODORE" CORNELIUS VANDERBILT



DANIEL DREW

JIM FISK



JAY GOULD

Pictures from Brown Brothers

lanky, dour, illiterate, religious, very rich old man, with unscrupulous ways of making his pessimistic forecasts come true.

Drew's foil, as events were to prove, was the self-styled "Commodore" Cornelius Vanderbilt. Older and richer than Drew, he was similarly a New Yorker who from steamboat king had become a rail magnate. Contrary to Drew, instead of a bear he was a bull — confident, strident, a lover of pleasure rather than prayer, as deft with a four-in-hand as with a whist hand. He was not content with spasmodic railroad raids, but conceived a plan, step by step, for monopolizing transport between New York City, the country's greatest market and port, and Chicago, with a further look to the lines rapidly extending westward toward the Pacific. Then over his lines would pour the swelling traffic of a continent. He had secured the Harlem and Hudson River railroads, running up the east bank from New York City and connecting at Albany with the New York Central, which paralleled the Erie Canal to Buffalo, and hooked to the Lake Shore which continued around to Toledo. Then he took the New York Central, bought into the Lake Shore, and saw himself, through future control of the Michigan Southern, entering Chicago. But the spoiler of his brave plan was the Erie, proposing to reach the same objective by a more direct route. Vanderbilt must become master of the Erie also — and thereby hangs our tale.

The Commodore allied with himself a New England group which hoped to extend the ill-reputed Boston, Hartford and Erie Railroad westward for a connection with Erie if it could find additional money for expensive construction. These Bostonians had bought Erie stock, trusting, by this part ownership, to get the Erie to help them with cash. As the Erie election in the fall of 1867 approached, Drew thought, or pretended to think, that he was beaten, and consented to serve on the Erie board in the interest of the victorious Vanderbilt and his New England friends. But Drew soon went back on this understanding, weakened his adversaries' control of Erie, refused to enter a plan of consolidation of all the roads entering New York, and dared his foes to dislodge him. Drew now made common cause with Jay Gould and John Fisk, Jr., directors of Erie, and as wily and resourceful a pair as ever operated in Wall Street.

Control of Courts and Legislature

Vanderbilt, to capture Erie, must buy its stock in the market. He had the mind and the millions for this huge undertaking, but to be

successful he had to prevent the Erie ring from manufacturing new Erie stock and dumping it on the market just when Vanderbilt was deeply involved and could not commit himself further. This was an old trick of Drew, which, if repeated, would save him the road, make him an enormous profit, and ruin Vanderbilt. So the Commodore, applying to judges who did his bidding, tied Drew up with injunctions, suspending him from his office of treasurer, and forbidding him to issue stock on the pretense of paying for a worthless road which he and his friends had bought and were absorbing into the Erie system. But other judges had equal and coextensive powers with those who served Vanderbilt, and from these the Drew contingent got orders setting aside what the Vanderbilt judges had commanded and authorizing all that the Drew interest desired. The picture was the familiar one of justice being pulled and hauled between wealthy antagonists. It was a tragi-comedy, with government degraded to farce.

The upshot was that in March, 1868, by connivance with his friends, Jim Fisk took millions of new stock by force from an Erie messenger and sold it; this toppled the price, robbing Vanderbilt and ruining his scheme for a corner, and enriching the Drew gang. To escape contempt proceedings against them, Drew, Gould, Fisk, and other directors of Erie fled by ferry and even open boats to Jersey City, taking with them seven millions of Commodore Vanderbilt's losses. There they lay for weeks, their bodyguards posted about their hotel. Vanderbilt might swear, judges might drive their quills, but loot and looters were in another jurisdiction, beyond their reach. It was rumored that Drew and his confederates would be kidnaped by toughs of Vanderbilt, so the beleaguered miscreants increased their guard to more than a hundred men and the militia was held in readiness to quell a small battle.

Gould, for the Jersey City exiles, sought to clinch their victory by going to Albany, the capital of New York, where, with several hundred thousand dollars in cash, he bought legislation validating all that the Erie conspirators had done. But Drew was tired of being a runaway and began sneaking back to Manhattan — at first under Sabbath-day immunity from legal process — to make peace with Vanderbilt. They all knew that if Vanderbilt dropped hounding them, Vanderbilt judges would not jail them for contempt when they returned. The result was a peace treaty by which Drew kept his winnings, the Boston interests got the construction money they craved, and Vanderbilt was indemnified for his losses, this private settlement between gamblers in its stock costing the Erie Railroad — most of its owners being outsiders — nine

Brown Brothers

BOSS TWEED OF TAMMANY, NEW YORK CITY

Cartoon by Tom Nast

million dollars in cash. The road, thus robbed, was handed over to Gould and Fisk, who soon found that they could still use it for swindling the public. They made themselves permanent and supreme on the board of directors and in the chief offices; they confederated with them Boss Tweed [1] and one of his lieutenants of Tammany, the notorious

[1] Graft was reduced to a system in New York City, and soon also in the state, under Boss Bill Tweed, ruler of Tammany. Of physical stature as mammoth as his moral stature was midget, he came into ward politics by way of the Americus Engine Company No. 6, whose redshirts volunteered for fighting at the polls as quickly as for scaling a fireman's ladder. As chief of the board of supervisors he established regular rates of pay — high, but known in advance — for the award of city contracts, franchises, tax reductions, and escape of criminals from prosecution. He became state senator, and here delivered legislature and judges to his friends, Gould and Fisk, in the Erie Railroad. He got "home rule" for New York City, he

New York City political machine, and sold stock at good prices to unsuspecting investors in England. We may not follow the subsequent history of the Gould-Fisk control of Erie, with its watering of stock, its bear and bull manipulations which involved speculators on both sides of the Atlantic, and which eventually drove "Uncle Daniel" Drew into bankruptcy, forcing him to declare pitiable assets of a gold watch and a collection of hymn books.

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being chief ruler as commissioner of public works and head of a quartet of officials who soon stole a provable thirty million dollars from the municipality. It was 1871 before some transcripts from the books of "Slippery Dick" Connolly, the comptroller, were published in newspapers and brought on the trial which sent Tweed to prison. Under lax discipline he escaped, fled to Spain in the guise of a deck hand, but was arrested and returned to die in jail. In twenty-five years of contemptuous swindling, he had set the pattern for the worst of that bad government of cities which Lord Bryce in his *American Commonwealth* laid to our discredit.

Chapter 25

The National Banking System

WE SAW EARLIER how, with the disestablishment of the Second Bank of the United States, the abuses of state banks flared up again. The federal government in effect washed its hands of responsibility by setting up subtreasuries which aimed to collect and pay out national funds in specie. Several states then worked out schemes for protecting bank depositors and holders of bank notes. While these schemes were beneficial, they were scattered and imperfect and deserved to be superseded by national supervision, which began with the founding of the National Banking System during the Civil War. We shall now describe its beginning and progress, the faults which appeared in it, and proposals for its reform.

The contest as to who was primarily responsible for suggesting the National Banking System to Secretary of the Treasury Chase has involved several. The successful New York experience was very likely familiar to Chase, since Ohio, of which he had been governor, had its own free banking law. The Ohio law included the specie reserve which New York had early dropped, and Chase, a hard-money man, would have a predilection for this feature. Those chiefly responsible for putting the measure through Congress were Samuel Hooper, Boston merchant and bank director, and member of the House Ways and Means Committee, and Senator John Sherman of Ohio, later to be Secretary of the Treasury.

In any event, Chase proposed a national banking system in his report of December, 1861, to Congress, referring to the soundness of the scheme as demonstrated in New York and elsewhere. He continued to urge the plan upon Congress and to exert all his influence for it outside, until it became law February 25, 1863. Its main provisions were: (1) free or general incorporation of banking associations, on their own volition, under the statute; (2) a bond-secured currency, notes issued to the banks up to 90 per cent of the market value, but not above the par

value, of securities of the federal government deposited with the Treasury; in the case of any bank failing to redeem its notes, these bonds to be sold for that purpose exclusively; (3) a reserve of "lawful money" kept by each bank in its own vaults or on demand deposit with banks in financial centers, equal to 25 per cent of its liability for deposits and note circulation; (4) double liability of stockholders — that is, liability of the individual stockholder for an "amount, at par value, of shares held, in addition to amount invested in such shares"; (5) creation of the office of Comptroller of the Currency who should have supervision of the system. The plan abolished a defect which had shown itself in state laws by refusing national banks the right to accept real estate — because it loses value at forced sale — as security for notes or loans.

Chase emphasized two main reasons for adopting the new banking system. It would create a demand for bonds which was sorely needed by the government in the war emergency, and it would supply a safer currency than the notes issued directly by the government. The greenbacks, which were then irredeemable, might be extravagantly increased in volume, and it was hoped these would be replaced by the national bank notes. As months passed, it became clear that banks would not offer such a demand for bonds as would enable their issue in the amounts which the war made necessary, so this argument was then less used than the other. It continued to be urged, however, that wide distribution of bonds to banks in all parts of the country would stimulate loyalty to the government in its crisis.

Those who framed the National Banking System thought that membership in it would grow quickly. In this they were disappointed, for few national banking associations were formed and state banks were reluctant to abandon their privileges and submit to national supervision. In 1866, in order to take away a competing advantage of the state banks, a law was passed placing a 10 per cent tax on their note issues. This "tax" produced nothing, for it eliminated state bank notes. As experience suggested, amendments were made in the national system and measures were taken to extend its popularity and influence. In 1875 the Resumption Act removed the $300,000,000 limit on the total national bank note circulation.

The National Banking System was a distinct improvement over the state banks, even though the latter, far from disappearing, increased in numbers under it. The act called out a corps of banks, generally with larger resources than their rivals, with better and uniform standards of capitalization, reserves, discount practice, and examination. These na-

tional banks were useful as Treasury agents and more responsive than state banks had been to government need.

It was soon apparent, however, that the system had serious faults, some of which had been foreseen. The bond-secured note currency was inelastic, frequently failing to expand when more money was needed and not contracting when less was required. This circulation was not based on the needs of business, but upon the extent of government borrowing (bonds), which was irrelevant, or, worse, might work in opposition to the demand of the community for money. The first bonds on which national bank notes were based expired, and while the immediate problem was solved by refunding these, the period of Treasury surpluses in the good years of the eighties resulted in retiring bonds and thus withering the note issue at its roots. The bonds that were yet available went to a premium which dissuaded banks from buying them as foundation for note issue, for their funds, in flush times, could be used to better advantage in other ways.

This situation was helped but not solved by the Gold Standard Act of 1900. The Indianapolis Currency Commission, to which we shall refer later, had recommended in 1897 that bank notes be issued on the basis of commercial paper. It is important to understand this suggestion, because later it was carried into effect with notable results. Commercial paper is the evidence of short-term (sixty- or ninety-day) borrowing by business men from banks. Suppose a manufacturer sells goods to a wholesaler on two months' credit. The manufacturer may wait until the end of this period and collect, but if he wants his money at once, he may have the wholesaler acknowledge the debt, and he, the manufacturer, may take this paper to his bank and borrow on it. If the bank were then permitted in some way to issue currency — bank notes — on the basis of this commercial paper which it held, this device would be superior to that of issuing bank notes on the security of government bonds. The "asset-secured currency," as it was termed, growing out of business transactions would necessarily be responsive to business needs. It would be elastic, expanding in amount when business was brisk, when there was much commercial paper coming to the banks, and contracting when commerce and industry were less active and therefore gave rise to less borrowing from the banks. As contrasted with this asset currency, the national bank notes, being based on government bonds, bore no relation to the requirements of business. The idea of an elastic currency, an automatic expression of the production and exchange of wealth, was persistently brought forward as the disadvantages of a

bank currency dependent simply upon Treasury borrowing (bonds) became more and more apparent.

At the time, however, the Indianapolis Currency Commission made this important proposal of supplying money to the community as business needed it, any profitable consideration of the plan was set aside by the outbreak of the Spanish-American War. When this was over, an approaching presidential election made the party in power timid about new departures. So traditional procedures were modified to encourage an ampler supply of bank notes. The 2 per cent bonds, which were those that the national banks were allowed to buy as the basis of note issue, were made more plentiful by a process of new government borrowing. Secondly, banks were now permitted to issue notes up to the full face value of the deposited bonds, instead of up to 90 per cent of the market value, as before. Thirdly, the formation of more national banks was stimulated by reduction of the minimum capital required from $50,000, in towns of 3000 inhabitants, to $25,000. This afterward proved a dangerous expedient, because many of the small banks set up under this provision were so weak as to be liabilities in the system. But the proposal for notes based on commercial paper got no action, nor was the process of issuing national bank notes, which usually took about three weeks, speeded.

National Bank Notes Inelastic

A further disadvantage in the national bank note circulation was that, once out, the notes did not readily contract. The bank-note currency was uniform and safe, but far from self-regulating in amount. Also, successive panics showed the danger resulting from decentralized reserves. Banking was individualized in a world of business and finance which was becoming in fact increasingly collectivized. A tradition of separate action had persisted into a day of combined action. Every part of the business life of the country and of the continent was linked. The theory that each bank was capable of managing its own affairs made it first a common menace and next a common casualty. The chief object of solicitude of every one of the national and state banks (we had about twenty thousand in 1900) was its reserve. But these reserve funds found their way, by an inevitable economic attraction, to the great financial centers, mainly New York. This was recognized and provided for in the National Bank Act. By that law national banks were divided into three categories. Those in "central reserve cities,"

such as New York, Chicago, and St. Louis, must keep a reserve of 25 per cent of their demand deposits in lawful money in their own vaults. Those in "reserve cities" (most of the larger places) must also maintain a reserve of 25 per cent, but half of this could be deposited with banks in central reserve cities, and only half kept in their own vaults. Lastly, "country" banks in smaller places must have a reserve of 15 per cent, of which three fifths could be redeposited in banks of reserve or central reserve cities. Many state laws had copied this provision of the national law. Under these rules, much of the country's bank reserve was "pyramided."

Since reserve funds thus accumulated in New York must be returned to the owning banks immediately on demand, they were lent by the New York banks in the only place where they could be lent, the "call-money market," which was for the use of stock-exchange operators. Here was a vulnerable situation. The bank reserves of the country, which were supposed to guarantee prudence and safety, were in good part in the hands of stock gamblers. What paraded as protection was really peril. A bad failure of a New York bank or brokerage house communicated fear to trusting distant banks. These withdrew funds and produced money stringency in New York. Results were staggering interest rates for loans, a premium upon gold, stock-market collapse, and runs on banks from Manhattan to the smallest hamlet. "Individualism in banking demanded that everybody should be free to have his own individual fling, while the subsequent disaster was the common property of all, engulfing the innocent with the guilty." [1]

Its reserve was virtually all that the individual bank had to call upon in time of need. Except in the limited way in which clearing-houses, which did not exist in the smaller places, provided mutual assistance, one bank could not expect aid from another, or one city or part of the country from others. Indeed, the effort of each bank to save itself to that extent endangered the rest. The investments of a bank in commercial paper yielded funds as repayment was made to it, but this source could not be hurried or enlarged by borrowing on its short-time loans not yet due; there was no organized means of rediscount, so the reserve became the sole immediate recourse.

The hazard of this gravitation of bank reserves and other resources to New York, where they became a pool of financial quicksilver, was illustrated in one panic or near-panic after another, but never better than in that of 1907. This time the responsibility of the banks was not

[1] Paul M. Warburg, *The Federal Reserve System*, vol. I, p. 16.

obscured by the presence of inconvertible paper money as in 1873, or of silver purchases as in 1893. There had been prosperity for the better part of ten years. But few remonstrated against the danger that was building up in the New York financial situation. We may indicate this, following Professor Sprague's analysis,[1] under several headings: (1) While New York banks holding deposits of other banks were as strong as usual, they were subject to heavy withdrawals because banks of the country generally had lent heavily, and thus held relatively small reserves. (2) In the decade the banks outside the national system — state banks and trust companies — had grown greatly in resources so that their deposits with New York banks had increased from a third of all bankers' deposits in 1897 until they almost equaled those of the national banks. But the cash reserves held by these state banks and trust companies were smaller than those required to be held by national banks, and thus in any emergency they must draw on their deposits in New York. (3) The loans of trust companies of New York City had multiplied astonishingly, and if the trust companies had suddenly to contract these loans, the national banks might find it necessary to expand theirs in order to prevent a crash. (4) Outside banks, as some in Canada, had made large loans in New York, amounting perhaps to $300,000,000. This development had been encouraged by the continued consolidation going on in American business which concentrated financial operations in New York. There were also heavy foreign loans in New York. If these loans of outside banks should be withdrawn, the New York banks would have not only to supply the cash, but make loans to take their place. (5) Only six of the New York banks held three fourths of the deposits of other banks, and as these six large banks had two thirds of the resources of all national banks in New York, they could not look for much help in an emergency from the other banks. All these conditions called for more cash reserve than the New York national banks holding the deposits — the reserves — of other banks possessed. Severe strain, particularly if it came from several directions at once, would produce trouble.

The Panic of 1907

We need not rehearse the unlucky turn of events in 1906 and early in 1907. The San Francisco earthquake destroyed much capital, and the Bank of England threw its weight in favor of a recall of funds lent in

[1] *History of Crises under the National Banking System*, pp. 216 ff.

this country by Britishers. The "rich man's panic" of March, 1907, followed for a month or so when the stock market dropped abruptly, but then the situation eased temporarily. It was not for long. New York banks under the control of men engaged in unsuccessful speculations in copper became distressed and had to be helped by the clearing-house. Late in October, 1907, the Knickerbocker Trust Company, the third largest trust company in New York, sustained a run for three hours during which it paid out eight million dollars, but had then to close its doors. It was not helped by the clearing-house, though such action might have been justified in an attempt to avert further trouble. Then the second largest trust company and another one withstood long runs at enormous cost, but the help given them by the clearing-house was piecemeal and did not serve to restore confidence. Clearing-house loan certificates, if issued at this point instead of later, furnishing means of settling balances between the banks themselves, would have freed funds for use in assisting threatened banks. Now the country generally began to take alarm at the crisis in New York. Interior banks, especially of South and West, called for their reserves, but the great New York banks which held them were subjected to the additional strain of paying out to the trust companies, of paying out to their own frightened depositors, and of making loans to support the stock market. Important banks scattered throughout the country failed, and each piece of bad news intensified impending danger elsewhere. Then, after the New York banks severely restricted or suspended payments, interior banks could not get back their deposits and so partial suspension became general throughout the country.

The New York banks explained later that they suspended in order to protect their reserves, which, if paid out without stopping the panic, would have resulted in disastrous liquidation in banking and all business. But reserves are provided precisely for the purpose of meeting an emergency, and if they were not to be drawn down to meet legal demands, then the fact was that no reserves existed. Besides, this large amount of cash was kept out of general use. When reassurance was needed, fear prevailed, and the banks became paralyzed with terror. It is of importance to notice that most of the money which banks in New York had paid out for the relief of other banks there had been freed for this use when the United States Treasury sent funds to the interior. The Treasury made large sums available to the banks in other ways. The National Banking System, to the extent that it did meet crises, had the powerful assistance of the government. The theory was that the banks

were privately owned and controlled and that it was dangerous to have government interfering in this function. But in the case of banking then, as in so many other instances since, the government had to step in with its resources when private control had got things into a hopeless snarl.

In 1907, New York and nearly all principal cities resorted to clearing-house certificates and other substitutes for legal money; everybody hoarded cash, and a premium had to be offered for its use. Suspensions in the interior, as they occurred in rapid succession, were blamed on refusal of banks in reserve and central reserve cities to ship currency to the banks to which it was owing. The governors of several western states declared legal holidays to protect their banks, a device then new but which became general after 1929. Not until the end of 1907 was money flowing back to the New York banks and not until the new year had opened were restrictions on payments removed. This may be said to have brought the panic to its close.

The panic of 1907 made clear the weakness of the National Banking System, of which the cardinal one was the reserves which were theoretically scattered but which really flowed to a central point. Instead of being subjected to control in the common interest, reserves were open to every hazard of business immorality, bad luck, and local disturbance which ended in mass hysteria. Manifestly, this individualism in banking led recurrently to social disaster.

Other Weaknesses of the National Banking System

We have said that two defects of the National Banking System were a note issue which did not correspond to the needs of business and reserves under no collective control for the good of all. A third change to be desired was a closer working relationship between the Treasury and the national banks. The Independent Treasury System, set up in 1846 and resumed after the Civil War, ineffectually aimed to separate government and banks. It had been born in the disestablishment of the Second Bank of the United States. Under it the government ostensibly did not rely upon banks nor permit banks to rely upon it. The government had its scattered vaults, to be sure, where it collected and whence it disbursed specie. But all along the Treasury made deposits in state and national banks, particularly surpluses which it was felt should not be withheld from the community's use. Government bonds had to be put up as security for these deposits, which meant there were

fewer bonds to back national bank currency and so this currency could not expand. Government deposits, even those nominally placed with small interior banks, found their way to the large city banks and by these were lent in the stock market, which increased the dangers of credit inflation and resulting stringency. Treasury aid to the banks was at times useful, at other times lacking or inept, and was not uniform from one administration to the next. Similarly, the Treasury in times of emergency had to beg for assistance from the national banks and might be given this tardily, half-heartedly, or not at all. It became increasingly apparent that Treasury operations and those of the banks were of such mutual importance as to require organic connection. This was recognized in discussions leading up to the Federal Reserve Act. This law made provision for the Federal Reserve Banks to become fiscal agents of the government, but it was not until 1917 that the old Independent Treasury System faded out.

A fourth drawback of the National Banking System was a cumbersome and expensive method of collections and transfer of funds between banks in different parts of the country. There was no common system. The practice involved cross-shipments of specie which could have been avoided by an efficient general clearing arrangement. There was a large "float" of funds in the mails which diminished available media of exchange and introduced uncertainties into banking operations.

Various proposals were made for reform of the system which led ultimately to the Federal Reserve System, put into effect in 1914. First came the attitude on the part of some that national bank notes ought to be barred and all currency be issued directly by the government. This had an early origin before the Civil War in distrust of banks for any purpose, but the hostility to bank-made money was intensified by the depression following 1873 and by later hard times. Hard times produce the call for soft money, and bank currency is not of this variety, since it is not responsive to political pressure as is government-issued currency. Those who wanted more money — greenbacks or silver — wanted depreciated money, and naturally regarded the banks, allied with capital and gold, as restrictionist and public enemies. This opinion continued to be expressed and was felt, when the Federal Reserve Act was being formulated, in the demand of the Bryan wing of the Democratic administration that government be given more control over the reserve currency and banks less control.

The American Bankers' Association, meeting in Baltimore in the panic year of 1893, was attracted to the Canadian system under which

the banks contributed to a fund deposited with the Dominion government for guaranteeing the notes of all of them. So the Association urged what came to be known as the "Baltimore Plan." It was of little influence because it neglected differences between banking in Canada and in the United States. In Canada there are but few banks of more or less equal resources, and each has numbers of branches. This makes for uniform collective action. But in this country there were many thousands of independent banks of widely varying size. Mutual guarantee of notes would mean that large and strong banks supported the small and weak, which would not be fair to those upon whom the brunt fell.

Antecedents of the Federal Reserve System

The Indianapolis Currency Convention, called by chambers of commerce and other business organizations in 1897, tried to induce Congress to legislate for sound money and banking reform. It appointed a Monetary Commission which met at Washington for several weeks, framed a bill, and later published a volume of findings and recommendations embodying the work of its experts. The proposal which concerns us here was that for a bank-note currency based on commercial assets (loans to merchants, manufacturers, and the like) and conforming to the volume of business. This currency was to be guaranteed by the banks which joined in issuing it. Also, branch banking refunding and reissue of government bonds to give more backing for notes were urged. But Republican leaders were unwilling to enter upon a controversial issue, the House Banking and Currency Committee had been so composed as to prevent its taking united action, and almost at once the Spanish-American War completely distracted attention from such dull subjects as banking. The war over, the Republicans were ready to take some action on currency and banking to furnish a claim in the presidential election. The Gold Standard Act was the result. This law, so far from providing for more united action on the part of banks and for an asset-secured currency, facilitated the issue of bond-secured notes and opened the way to establishment of a large number of small, weak national banks. The failure of many of these little banks afterward proved a menace, and the multitude of them made national bank examination inefficient.

Shaw, President Theodore Roosevelt's Secretary of the Treasury, by an administrative interpretation permitted the expansion of bank notes when crop-moving or other emergency required, but it took the panic

of 1907, with its suspensions and bank failures, to stir the administration to more purposive effort. Senator Aldrich of Rhode Island, the Republican floor leader and justly regarded as the spokesman of big business and what was already referred to as the "money trust," forced a bill through the Senate. Its signal feature was the issue of bank notes protected by the deposit with the Treasury of other than national bonds: railroad bonds, securities of cities and counties could be used. This would permit emergency expansion of the note currency to the extent of $500,000,000, and also, said critics, bolster the interest of railroads, whose credit had suffered under government regulation.

In the House a bill of Chairman Fowler, of the Currency and Banking Committee, long an industrious student of the problem, was finding favor. It was a far more competent measure than that of Aldrich. Fowler had been impressed by the banks' collective action, in the panic of 1893 and later, through their clearing-houses, which issued an emergency currency based upon the assets of the banks, and safe. So his bill proposed co-operative organization of banks to issue jointly secured asset currency, based on business paper, which could be used to replenish reserves. Others, such as M. L. Muehleman and Paul M. Warburg, had proposed schemes which stood out from the large number being offered because they contained this idea of using commercial assets as backing for currency; they differed from Fowler's plan by leaning toward the European tradition of a central bank.

Fowler's proposal was distrusted by conservative party leaders as being new-fangled. So they subjected the Fowler Bill to ill-informed revision in a committee of which Congressman Vreeland of New York was chairman. As it emerged, the Vreeland Bill kept Fowler's co-operative action of banks and the asset-secured currency, but confined the joint function to note issue and designed the notes for merely emergency use.

These two measures from Senate and House were combined in what became the Aldrich-Vreeland Act of 1908. In times of exceptional strain banks which met certain conditions could be assigned emergency currency based on city, county, and district bonds, though railroad bonds were omitted. Or, if they chose, the banks could join a currency association — Fowler's original idea of co-operative bank action — and issue currency based on good commercial paper. A redemption fund was provided for, with taxation of the emergency currency at a higher rate than the banks could get in interest. The law was to run for six years only and produced few changes in banking practice during that time.

Its important contribution was the setting-up of a National Monetary Commission to make comprehensive scientific study of banking history and problems in this country and Europe and recommend new legislation. Senator Aldrich was chairman of this commission, which continued its work for four years, specialists engaged by it producing a mass of detailed reports. Senator Aldrich, with other members of the commission, made inquiries in Europe and returned convinced that we must have a central bank here, something after the fashion of those in England, France, and Germany. Undoubtedly many contributed to dissuade him from trying to make this the leading feature of the bill which the commission was charged to bring before Congress. Probably Paul Warburg's influence was particularly effective, for Mr. Warburg, after a decade of work which combined the capacities of banker and public advocate, had evolved a scheme which preserved advantages of central control and adapted these to American conditions. Warburg's plan for a "United Reserve Bank" contained many features which found their way into the proposal which Aldrich made to the Monetary Commission and which became the Aldrich Bill, and by this route reappeared in the Federal Reserve Act. The National Citizens' League for the Promotion of a Sound Banking System, a bankers' organization, spent half a million dollars in popularizing the principles of the Aldrich (National Monetary Commission) measure.

Aldrich Plan Contained Features Later Adopted

The Aldrich Bill would have set up a National Reserve Association with capital contributed by national banks and by state banks and trust companies which met certain requirements. These banks, for purposes of management, were to be grouped in fifteen districts, each district electing its own board of directors and also representatives to serve on the board of the central association. The boards of both central and district associations were to contain representatives of agricultural, commercial, and industrial interests in addition to bankers. The governor of the central association was to be appointed by the President of the United States, and the board was to contain five officers of the federal government (Secretary of the Treasury, and others) as *ex-officio* members. The central association was to issue notes supported, half by gold and half by commercial, agricultural, and industrial paper rediscounted for a member bank; that is, on which a member bank had borrowed from the central association. These notes were designed to take the

place of the national bank notes, which were to be retired. The National Reserve Association was to fix a uniform discount rate for all its branches. It should hold part of the reserves of member banks and control this fund to prevent a money panic. The association was to be the principal fiscal agent of the United States. The central association and branches were to deal only with banks and government, not with individuals.

This Aldrich Bill, introduced in the Senate in January, 1912, never received congressional consideration. By that time the Democrats had control of the House and the Republicans in the Senate were divided on the issue. If the bill died a-borning, why have we burdened the reader with some of its chief provisions? It is because this carefully framed measure, embracing much that had been brought out in two decades of banking and currency discussion, made an important contribution to the Federal Reserve System so soon established. Elaborate effort has been made by some concerned with the writing of the Federal Reserve Act to show that this, while utilizing much contained in the Aldrich and preceding plans, "as a whole is based upon a conception and plan entirely its own. . . ."[1] Senator Carter Glass, who was the chief in charge of constructing the Federal Reserve Act as a measure of the Democrats, went further and, comparing it with the Aldrich Bill, declared, "They differ in principle, in purpose, and in processes." It is difficult to accept this view.[2]

We have seen that Secretary of the Treasury Chase had hoped that national bank notes would replace the greenbacks which had been issued to help finance the Civil War. His expectation was disappointed, for the greenbacks remained in circulation as irredeemable paper until 1879. Thereafter they were still an important part of the currency, though they were no longer depreciated, since the Treasury would exchange hard money for them. We have spoken of the effects of the greenbacks during the Civil War in producing a premium on gold and in lowering real wages of workers. We may now trace briefly the results of the paper standard from the end of the war to the resumption of specie payments.[3] This has an intimate bearing on the subject matter of the next chapter, the struggle over inflation following the Civil War, or the contest between advocates of cheap money and dear money.

[1] H. Parker Willis, *The Federal Reserve*, p. 71.

[2] For a temperate, convincing refutation, see Paul M. Warburg, *The Federal Reserve System; Its Origin and Growth*, vol. I, pp. 178–423.

[3] See Wesley C. Mitchell, *Gold, Prices, and Wages under the Greenback Standard*. Quite aside from the important conclusions of this celebrated book, the student is urged to examine it as a masterly instance of the use of statistical method, with a clear exposition in spite of the complicated nature of the materials.

Paper Prices

The premium on gold, expressed in greenbacks, fell into four periods. The first was that of the war itself, when the average premium was high and the fluctuations were violent. The second period, from Lee's surrender to the financial panic of "Black Friday," September 24, 1869, was marked by lower average premium and narrower fluctuations, though the amount of the premium was about the same at the beginning and the end, the greenback dollar being worth 73 cents in gold. In the third period, from October, 1869, to March, 1876, the gold premium was less on the average than in the previous period, because of greater confidence in the Treasury, though at the end as at the beginning the greenback dollar was still worth only 87 cents. The Resumption Act, providing for return of the government to specie payments, had been passed before this period closed, but people did not take it seriously; the date set was four years off, and so the country continued to prefer gold to the paper money. The last period extends to the return to specie payments, January 1, 1879; during these years the gold premium fell steadily until it disappeared, for it was apparent that the Treasury could and would redeem the greenbacks in hard money.

Turning to wholesale prices, we find that there was a general rise during the war to January, 1865, and a general fall from then to the middle of 1879. Some commodities fluctuated in price much more than others. Cotton, as was natural, had the widest range, reaching, in July, 1864, more than fourteen times its price of 1860. While over the whole period 1860 to 1880 the average range was four times what prices had been at the beginning, violent rises of a few commodities were responsible for this, for four fifths of the list on the average did not quite double. This increase of prices was during the war. At its close prices dropped precipitately, and continued irregularly downward until, fifteen years later, by the time of recovery from the depression following 1873, all the increase of the war years had been wiped out. This fall of prices from the end of the war to the resumption of specie payments — this increasing value of money — explains why debtor sections of the country cried out against contraction of the currency and the return to the hard-money standard. The demand for inflation would have been even louder had not farm products fallen in price less rapidly after the war than other commodities. The cost of living (1860 = 100) rose to 170 in 1866, and in 1880 was still as high as 133.

As we saw, wages advanced during the war less rapidly than the cost

of living, more than two thirds of wage-earners being worse off in 1866 than in 1860. However, while the cost of living began to decline in 1865, wages continued to rise sharply in 1867, and faster from 1869 to the panic of 1873. Here was a gain in real wages, a long-delayed reward to the workers. Between the crisis of 1873 and the recovery of 1880, money wages fell more than did the cost of living, but there was relative improvement in money wages as depression neared its end, and in 1880 four fifths of workers could buy more with their wages than in 1860. Thus, 1867 was the critical year so far as the condition of workers was concerned. Until then the war and the greenbacks had hurt them. After that workers were benefited. Changes in real wages, however, form only one index to the welfare of the working population as a whole. The amount of employment is of great consequence. Fewer workers found jobs in industry from 1860 to 1863; from 1864 to the panic of 1873, employment was generally excellent; during the depression labor as a class lost in real income because of heavy unemployment. When jobs were available again in 1879, workers gained doubly, both in real wages and in numbers receiving the benefit.

Irredeemable paper money — the greenback — in the twenty years we are treating, was primarily responsible for the violent price changes and for alterations in shares of the national product which different economic groups received. War and depression, however, played their rôles also. The frictions involved in the derangement of prices are implied in the fact that wholesale prices lagged behind the price of gold, retail prices behind wholesale prices, cost of living behind retail prices, and wages behind all the others.

We referred above to the financial panic of "Black Friday" in 1869. This was caused by a spectacular attempt to corner precious gold. This "gold conspiracy" illustrated the post-war period of speculative finance relying upon official corruption. The chief actors were Jay Gould, a subtle and treacherous schemer; Jim Fisk, boisterous and betrayed; and Corbin, President Grant's brother-in-law, who was the tool but never the dupe of the principals. The story was told first and best by Henry Adams almost immediately after the events.[1]

Gould determined to raise the price of gold for his own profit. There was some $20,000,000 of gold in circulation, and it was possible, with the resources at his command, to acquire all of this. The problem would be to keep off the market any part of the $100,000,000 of gold

[1] "The New York Gold Conspiracy," in Charles Francis Adams, Jr., *Chapters of Erie and Other Essays.*

held by the United States Treasury. To this end Gould tried to persuade President Grant that the wheat farmers particularly would be benefited by raising the price of gold, for they could then sell their crop for more in paper currency, but if this was to be brought about, the Treasury must temporarily discontinue its policy of releasing gold from time to time. Gould and his friend Fisk, whom he soon drew into the project, got to Grant through Corbin, with whom the President stayed on visits to New York. Grant was so far convinced by their arguments that he ordered Secretary of the Treasury Boutwell to keep the gold which the government possessed. Gould compensated Corbin by carrying for him, with no cost to Corbin, $1,500,000 of gold on which Corbin was to make a handsome profit as the price was driven up.

Gold was selling in the gold room next the New York Stock Exchange at $1.34 when these plans were hatched. It was being dealt in only legitimately; that is, bought by importers to pay customs duties or to send abroad. But now Gould and Fisk, through their brokers, began buying by the millions until they had claims to receive more than twice as much gold as the country contained outside of the Treasury. The price of gold was now, late in September, 1869, at $1.40. The game was working, but could continue only if the Treasury did not yield to the implorings of the "bears" — who would be called upon to deliver at ever mounting prices — that gold be released. Corbin was persuaded to write to President Grant to make sure that the Treasury would not break the market, and Gould even asked Boutwell, the Secretary, to buy gold for the government. But Grant became alarmed at this and made Corbin withdraw from the speculation, which was notice enough to Gould that the whole structure was going to collapse because the Treasury would now throw millions into the gold room. What to do? Gould decided to tell his confederate Fisk nothing, but to save himself by ordering his brokers to sell gold, while he tried to keep the price up by publicly buying some, which would make the unsuspecting think he was still "bulling" the market. Fisk did bull it, swaggering up and down with a big cane, calling himself "Napoleon of Wall Street," and giving orders to buy, buy, buy — at 144, to put it up to 150, to 160. The price reached 162 on the side of the room where Fisk's brokers were making these wild offers, while on the other side, under the impact of Gould's sales, the price was sinking. This was "Black Friday." Those who were "short" (who had contracted to deliver at 140 gold which they must now buy at 160, maybe at 200 if Fisk's boast was carried out) were frenzied as irretrievable ruin stared them in the face.

They were saved by the government's order to sell and the price fell back to 135.

Gould had sold a hundred millions of gold in a day, and, thanks to his deception of Fisk, who was the purchaser, had made some millions of profit. But what about Fisk? He was not angry with Gould, strangely enough. The two retreated to their Erie Railroad office, where their bodyguards stood at the door to keep the revengeful crowd out. They quickly determined to save Fisk by having him repudiate the orders of his brokers, who were thereby made bankrupt. The brokers were offered competences for life. Gould and Fisk were protected by their ally, Boss Tweed of Tammany, who owned judges. The whole episode was a sorry comment on business morals in the backwash of war.

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Chapter 26

Struggle over Inflation

By inflation we mean an increase in general prices caused by an increase in the amount of money put in circulation. This new money is usually substandard in some respect: it may be paper money which will not be redeemed by the government in metallic money, or it may be metallic money which is depreciated, either because the amount of precious metal in the coins has been reduced, or because, though full weight, the metal itself has fallen in value.

Creditors who have money owing them naturally want to be repaid in money of high value. Another way of saying the same thing is that they want prices to be low. Debtors, on the contrary, who have to get their hands on funds with which to repay their creditors, want money to be low in value, while they want the prices for which they sell their goods or their labor to be high.

The Civil War, ending in 1865, was the occasion of thirty years of controversy over the currency — whether it should be scarce and dear as the creditors insisted, or abundant and cheap as the debtors demanded. The Franco-Prussian War, ending in 1871, produced conditions in Europe which intensified our debate in this country. The period of readjustment following war was painful and protracted, involving economic, social, and political conflicts.

The double heritage from war was expanded debt and increased productivity. At first glance it would seem that increased production, stimulated by war, would permit those who had borrowed to pay their debts, especially since the enlarged output included spectacular additions to the supply of the precious metals. The rub was that more plentiful goods meant lower prices. The West and South were the parts of the country most heavily in debt. These sections produced staple crops such as wheat and cotton which fell most in value. In the West debts had been incurred for the extension of railroads and the purchase of land at high prices. The South, chronically in debt, had been plunged deeper by the disastrous war. These debtor regions wanted to raise

prices. Their method was to urge that more money be put in circulation. They would increase the desired effect by having the additional money of lower value. The face value, engraved on the paper or stamped on the coins, would remain the same so that the depreciated money must be accepted, dollar for dollar, in the discharge of debts. But its buying power would be less because more of it must be given for goods and services.

Many among the debtors were not trying in this way to cheat the creditors. They honestly believed that prices and wages had fallen, not because goods and labor were too plentiful, but because money was too scarce. In the first half of the period they thought that what prevented ampler supplies of money was the expectation that the country would soon return to the gold standard. It was true that the amount of gold had been increased. But creditors and all the cautious feared that even so the amount of paper money outstanding was greater than could be redeemed in gold. Therefore, they declared, it was imperative to reduce the number of greenbacks in circulation, and also refrain from issuing more.

As we shall see, when a law was passed providing for the return to specie payment or government redemption of paper in hard money, debtors had to give up their advocacy of more paper-money issues. But they wanted cheaper money as much as ever. They turned to silver which had fallen in value, and tried to make it a next best substitute for the lamented greenbacks. The debtors were strengthened in their demands by faith in the power of the victorious federal government. The government had won the war: could it not with safety put out more money, or at least maintain the quantity already in circulation? The war had been won not only by fighting but by producing. The farmers and city workers regarded themselves as the prime producers. Many small-business men were allied to them. Was government to be loyal to producers by affording them higher prices and wages or would it favor the moneybags? Would government respond to West and South which created the wealth of the country or cherish the claims of the eastern creditors? Which was more deserving, Main Street or Wall Street?

The currency controversies of the period were made acute by four depressions, the major two beginning in 1873 and 1893, and the lesser two beginning in 1866 and 1884. These seemed to the sufferers to result from Shylock demanding his pound of flesh, and there were Portias enough who tried by one trick and another to fend off the whetted

knife. While war was the occasion of monetary dislocation and depressions galled debtors already burdened, the struggle over the currency was bound up with momentous changes that were occurring in the economy, politics, and whole culture of the country. Until the issue of slavery was settled, development and differences existed between sections; thereafter hostilities were between classes. It was after the Civil War that large-scale industry, corporate finance, and speculation flowered. Banking and credit enjoyed new institutional security in the National Banking System. Business competition began to give way to combination. These trends strengthened property and concentrated economic power. Moneyed interests corrupted the Grant administrations and continued to be sheltered by the dominant Republican Party.

On the other hand, the mass of the people became conscious of their wrongs, discovered their strength, and made their protests. Farmers organized against railroads and other monopolies and advanced bewildered remedies for the sinking prices of their products. Industrial workers formed strong unions which became national in scope. Immigrants were pouring in by the millions seeking escape from hardships in Europe. Public education was founded and spread. The war for freedom had been fought and won by the common people, and they groped toward realization of its rewards. The Populist movement and resurgence of the Democratic Party were political expressions of this ambition. In the former Confederacy the poor whites turned against an aristocracy by which they had long been neglected and then deluded. In the period of a generation the physical frontier was at last occupied about 1890. The claims of the average man must now be asserted within the social system, not by escaping from it to a wilderness. Persistent migration to the West, movement from rural areas to cities, and extensions of railroads and telegraph had weakened local distinctions and presented national means for redress of grievances. More money to match more merchandise and more men was the natural plea.

The Cry for More Money

In his first report after the Civil War Secretary of the Treasury McCulloch recommended retirement of the greenbacks. Consumers were irked by the war inflation. The greenbacks had been designed "for temporary purposes." The House agreed that they should be withdrawn as early as possible. But prices fell in the general let-down immi-

diately following the war, and the House went back on its promise to return to hard money. By a law of 1866 greenbacks were to be taken out of circulation slowly — $10,000,000 in the first six months and $4,000,000 each month after that. This modest reduction was soon repented of. The English had a panic and sold their American securities. The drop in stock prices was blamed on the currency contraction. In 1868 Congress forbade any further restriction.

Our panic of 1873 revived the cry for more money. The Treasury reissued the greenbacks which had been retired. Congress passed a bill for permanently increasing the paper money by $18,000,000. President Grant vetoed this attempt at inflation. The Republicans were blamed for the panic and lost in the congressional elections. Thus spanked, the Republicans, before turning over the House to the Democrats, passed the Resumption Act of 1875. This law said that beginning four years later, January 1, 1879, the government would give coin for greenbacks. This seemed straightforward, but the act had defects. First, only $82,000,000 of greenbacks were to be retired, while $300,000,000 were to remain in use, being reissued after they were redeemed. There was nothing to prevent the greenbacks from draining the Treasury of hard money, as they could be presented again and again. Second, the law purposely did not specify in what kind of "coin" the paper money was to be redeemed. Was it to be gold or silver? If the Treasury had a choice, the cheaper silver would be given. This uncertainty on a crucial point was to cause trouble.

President Hayes and his Secretary of the Treasury, John Sherman, were hard-money men. But the Democrats in control of the House were soft-money men. They proposed the unlimited coinage of silver at the old ratio of sixteen parts of silver held equal in value to one part of gold.

This project brings us to describe the changing relative value of gold and silver, which was to play a prominent part in the currency conflict. The relative value which the mint places on the precious metals may differ from the relative value in the market. The mint may assign to either gold or silver a greater or less value than it has as metal, or "bullion." Wise and honest coinage laws will try to make the weight of coins conform to market value of the metals as commodities. Hamilton in 1792 sought to do this when he recommended that the weight of the silver dollar be fifteen times the weight of the gold dollar. That was the market ratio at the time. But soon silver became cheaper in the market. Consequently, it was overvalued at the mint. Silver was

worth less than one fifteenth as much as gold, though the mint continued to say it was worth a fifteenth. Therefore after 1805 principally silver was brought to the mint, where it enjoyed a fictitious value, and gold coins, being worth more as metal than as money, disappeared from circulation. Thus, while nominally we had a double or bimetallic standard, we were really on a single silver standard for most of the time up to 1834.

But by then gold had been discovered in North Carolina and elsewhere in the South, and, becoming more plentiful, had sunk in value relative to silver. The buyers and sellers of bullion said that one ounce of gold was worth 15.7 ounces of silver. We could have commenced on a bimetallic standard again had the legislation of 1834 made this market ratio the mint ratio also. But from a desire to favor the gold-mining interests the mint ratio of 16 to 1 assigned an artificially high value to gold. In 1837 this mint ratio was slightly changed to 15.98 to 1.

The effect of the laws of the thirties, which overvalued gold at the mint, was to drive out silver coins and substitute gold coins. Gold would now exchange for more silver in the form of coins than in the form of bullion. This tendency of gold to seek the mint rather than the market became pronounced after 1843 because of new gold production in Russia. Discovery of gold in California and Australia increased the disparity beyond what anyone could have foreseen. Annual gold production after 1850 was on the average four times what it had been in the previous decade. By 1853, gold was worth in the market only 15.4 times as much as silver, instead of 15.98 times as much, which was the value at which the mint received it. This meant that a silver dollar, worth only 100 cents as coin, was worth 104 cents as metal. Under these circumstances almost no silver came to the mint, which grossly undervalued it. Even subsidiary silver coins were disappearing from circulation. Therefore, in order to insure a supply of change the bullion value of the small silver pieces was reduced below the face value. Minor silver coins must be accepted for debts only up to five dollars. This law showed the clear intent to make silver of subordinate importance in the currency.

"The Crime of '73"

Then in 1873 a law which aroused no opposition at the time dropped the silver dollar from the list of pieces which would be coined at the mint. This was just a tidying-up of the coinage statutes. The silver

dollar had not been coined for twenty-five years because silver was worth more as metal than as money. Up to the year 1873 only eight million silver dollars had been coined for circulation.

Hardly had we dropped silver from the standard coinage than a combination of events made silver cheap. Gold became so plentiful that it was substituted in the currencies of most western nations for silver. When silver was no longer used as money, but was dependent on demand in the arts and industry, it lost value. Between 1850 and 1875 more gold was produced than in the three hundred and fifty-eight years between the discovery of America by Columbus and 1850. In the earlier period twice as much silver as gold had been mined, but in the later twenty-five years less than half as much. Within six months after we demonetized silver, Germany displaced silver with gold in her currency. Germany was victorious over France, collected gold in the indemnity, and seized that chance to make gold her money standard. Within seven years, to 1880, Germany withdrew from her coinage 7,474,644 pounds of silver and sold this amount as bullion.

As though this large quantity of silver thrown on the market were not enough, just at this time the fabulous silver deposits in the mountains of Nevada began to be worked. Virginia City was as frenzied in prosperity as the East was sunk in dejection. The Consolidated Mine in 1873 had produced $645,000 of silver, but two years later produced $16,000,000. In three years following 1874 the celebrated Comstock Lode produced $42,000,000 of silver. The huge amount of silver thus released threatened the currencies of a number of silver-using countries. The states of the Latin Monetary Union — France, Italy, Belgium, and Switzerland — had been tending toward the gold standard before. In 1878 they suspended standard silver coinage. Holland had done so shortly before. Soon there was not a mint in Europe open to the free coinage of silver. Thus, silver was made still more plentiful. But the end was not yet. Silver had always drained to the East, especially India, where a poor population, with a passion for ornament and not able to afford gold, offered a steady demand for the white metal. India's attraction of silver had been unusually strong in the decade ending in 1865. But in the next decade, to 1876, India's silver imports fell to the lowest known for half a century. India began to pay her debts, and introduced bank-notes and checks. Silver backed up in Europe and America.

In the United States the inflationists, unsuccessful in their efforts to use greenbacks for their purpose, now turned to silver as a promising

substitute. In 1873, when coinage of the silver dollar was dropped, 15.92 parts of silver had been equal in value to one part of gold in the bullion market. By 1876 silver had fallen to the point where 17.87 parts were required to equal in value one part of gold. Bills were introduced in Congress for the coinage of silver at the former mint ratio of sixteen to one. This would give a depreciated coinage, money with less intrinsic value than its face value, and would enable debtors to pay their creditors with something that looked like a dollar, which the government said was a dollar, but which was worth less than a dollar. Also western mining interests clamored for a market for their silver in the currency.

The silver inflationists were stopped by the law of 1873 which threw out the coinage of the silver dollar. They charged that silver had been dropped surreptitiously. It had been a conspiracy. The law was "the Crime of '73." A Tennessee congressman claimed there had been irregularities in the passage of the act: "Ay, sir, it was a fraud that smells to heaven. It was a fraud that will stink in the nose of posterity, and for which some persons must give account in the day of retribution." As silver continued to fall in value relative to gold, its champions called the louder for its coinage.

The Bland-Allison Act, 1878

Bland, in the House, secured the passage of a bill providing for the free, or unlimited, coinage of silver; that is, "any owner of silver bullion may deposit the same at any United States coinage-mint . . . to be coined into . . . dollars, for his benefit, upon the same terms and conditions as gold bullion is deposited for coinage under existing laws." The silver dollars, though they would have an intrinsic value of only ninety cents at that time, were to be full legal tender in payment of debts public and private. Allison, in the Senate, amended the measure to take away free coinage and substitute limited coinage of silver. The Treasury was to purchase every month not less than two million dollars' worth and not more than four million dollars' worth of silver bullion "and cause the same to be coined . . . as fast as . . . purchased, into . . . dollars" of 412½ grains troy of standard silver. This last meant that the ratio of silver to gold at the mint was to be sixteen to one. A further amendment in the Senate permitted silver certificates to be issued on deposit of the dollars in sums of not less than ten dollars.

The debate on the part of the silver inflationists showed honest igno-

rance and demagogic appeal. What is called Gresham's Law, that inferior money will drive out the good, was little honored: the silver dollar was "the money of the fathers," neglecting the fall in the relative value of silver since the time of the fathers. The value of the greenbacks, mere paper, had been pulled up by the promise of the government to redeem them in coin. It was argued that if silver were coined again and were exchangeable for gold, it would be rendered equal to gold in value. The end would justify the means, for "nine tenths of the people of the United States demand the unlimited coinage of the old silver dollar with which to pay their debts and conduct their business. . . . The country is in an agony of business distress, and looks for some relief by a gradual increase of the currency." Threats were frequent: "If these questions are not settled . . . at once . . . I say . . . that from the districts of the West and South will come a class of men who will demand, not only that silver shall be remonetized, and that the Resumption Act shall be repealed, but that the national banking law shall be repealed, and the Government . . . shall issue all the money to be in circulation in this country."

It had been resolved in both houses (without, however, binding force) that bonds were payable in the depreciated silver dollars proposed to be issued. This was in violation of assurances recently given to bondholders, many of them foreigners. When the dishonor of this partial repudiation was urged, a member of the House wanted to know "What have we got to do with 'abroad'?" A southern member demanded, "Let us force a square issue and make everyone array himself either on the side of God or Mammon — the people or the gold ring." Bland would never rest "until the rights of the people are fully restored and the silver dollar shall take its place alongside the gold dollar." If that failed, he was for "issuing paper money enough to stuff down the bondholders until they are sick."

Those who wanted to limit the currency considered that they represented fiscal prudence and public faith. There were grounds for honest difference whether the currency should not be "managed," as we have used the term since, to revive business in a time of money stringency such as that following the panic of 1873. In judging the inflationists in this earlier period, we must not forget what was done in the great depression of the nineteen-thirties. Then wholesale and violent manipulation of the currency to produce higher prices became thoroughly respectable. This was in disregard of solemn government promise. We then escaped from what was regarded as the tyranny of gold not only by espousing silver but by issuing mere paper money.

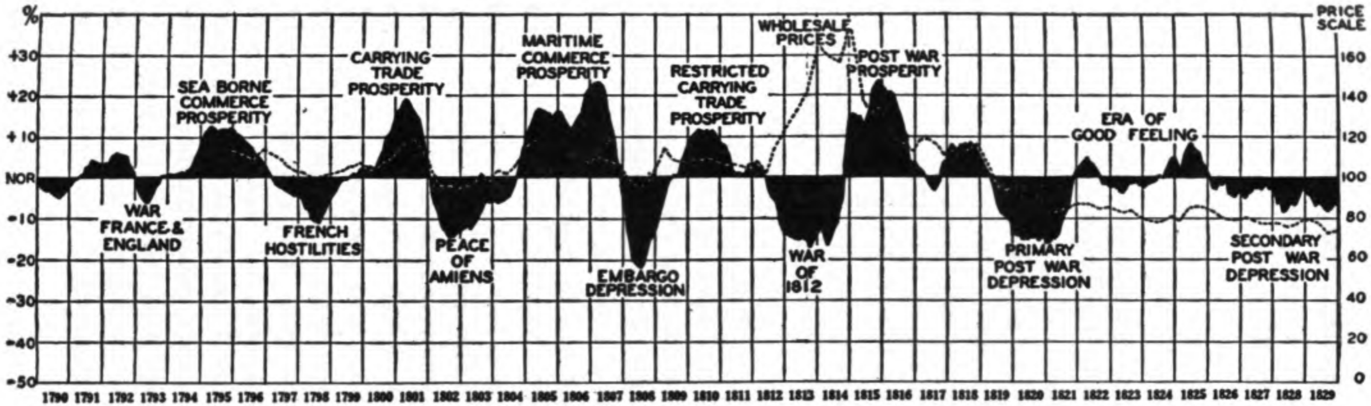
The Bland-Allison Bill, providing for limited coinage of silver at sixteen to one, was vetoed by President Hayes, but was immediately passed over his veto and became law in February, 1878.

Resumption of Specie Payments

What was the history of the return to hard-money payments and what part did the silver issues authorized by the Bland-Allison Act play in it? Secretary of the Treasury Sherman had accumulated a gold reserve equal to 40 per cent of the outstanding greenbacks. This was the least that would suffice to redeem the paper money expected to be presented. This precious gold was in danger from three quarters. The first was the greenbacks. Their number was to have been reduced to $300,000,000, but Congress finally allowed $346,681,000 to remain. As soon as these were taken in for hard money, they were to be reissued. This could be a siphoning process which would empty the Treasury of gold. The second danger to Treasury gold was from purchases of silver. Gold was paid for the silver bullion. Suppose the Treasury could not persuade people to take the silver dollars and silver certificates. Or the silver might come back, in payment of customs, as fast as it went out. This would reduce Treasury resources and put the small stock of gold in peril. The third hazard was from the possible export of gold, which would be necessary if foreign trade turned heavily against us.

Each of these risks was successfully met. Secretary Sherman applied a rule of his own that redeemed greenbacks would not be issued again while the gold reserve was impaired. The New York Subtreasury, through which the government's chief payments were made, was admitted to the clearing-house. This saved gold and helped to keep greenbacks in circulation. As to the new silver dollars and silver certificates, the number issued rose each month. This was because the price of silver continued to fall in spite of Treasury purchases. The Treasury bought the minimum prescribed by the Bland-Allison Act, $2,000,000 worth per month, but this sum brought in increased amounts of silver bullion. The Treasury, however, stored away the heavy, inconvenient silver dollars themselves and let them be represented in circulation by silver certificates which soon began to be issued in small denominations. These certificates were readily accepted and remained in the hands of the public.

Furthermore, the national bank note circulation declined phenomenally, leaving a "vacuum" in the currency which was filled by silver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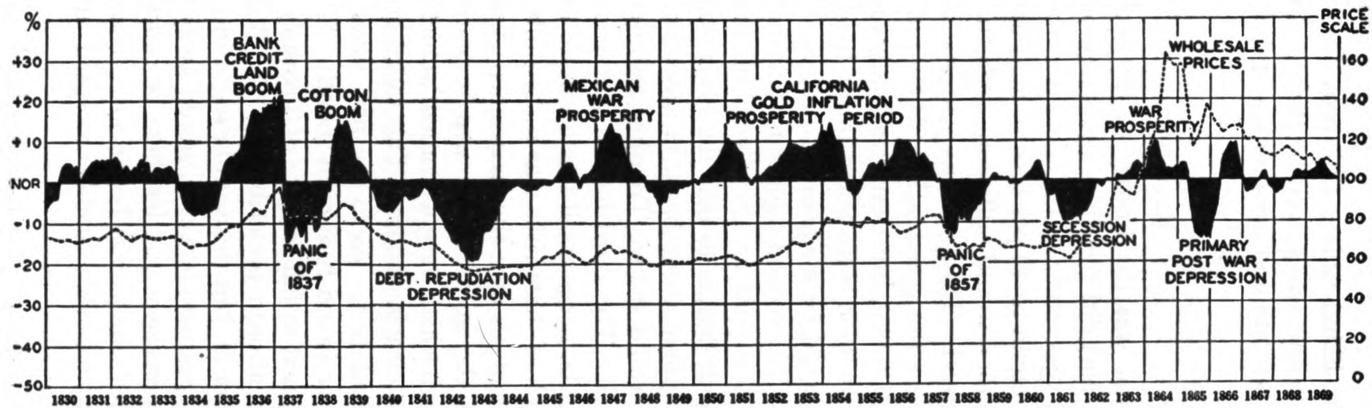
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CALIFORNIA GOLD INFLATION PROSPERITY PERIOD
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DEBT. REPUDIATION DEPRESSION
PANIC OF 1857
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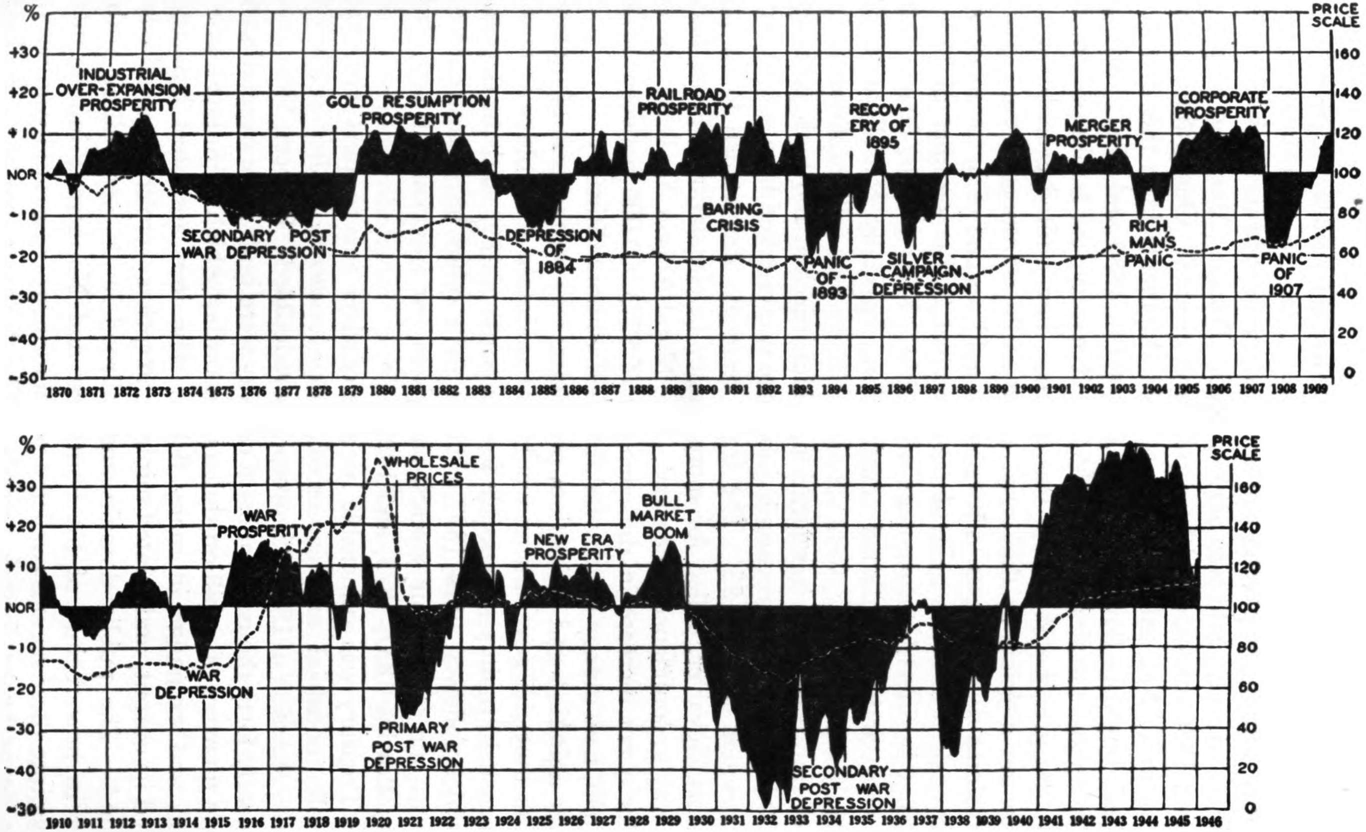

Cleveland Trust Company

BUSINESS FLUCTUATIONS IN THE UNITED STATES, 1780–1946

and silver certificates. The period following the return to specie payments was prosperous. National banks could use their funds more profitably than in the purchase of bonds which formed the basis of bank-note issue. Lastly, gold was not exported. Bumper American crops in 1879 and 1880 coincided with crop failures abroad. Our grain exports shot upward. Not only was fear of gold shipments from this country banished, but gold flowed in, $175,000,000 in 1880 and 1881. So far from greenbacks draining gold from the Treasury, the banks presented gold to get greenbacks! This was because they wanted greenbacks to send to the interior, as they were more easily transported than gold. Also customs duties began to be paid in gold instead of in greenbacks.

Above all, there was general trade revival in the summer of 1879. After that business improvement was rapid. Mines, mills, farms, and trade were active. Railroad construction, especially consolidation of previously separate lines, went forward. There was full employment in spite of unprecedented immigration, which reached the high point of 789,000 in 1882. This economic jubilance was checked by a severe but short reaction in 1884–85. The trade recovery after return to specie payments, however, called for more money in circulation. Fears had given way to confidence once more. The Bland-Allison Act was responsible for a net increase in the currency of $273,000,000 between 1878 and 1890, new money which was absorbed without difficulty.

Silver agitation and legislation, producing fear on the part of money interests that the government would not maintain the gold standard, has been held mainly responsible for the panic of 1893 and the depression which followed until 1897. There were other important causes. This was one of the four severest slumps in our economic history, the others following 1837, 1873, and 1929.

The Treasury was vulnerable because of silver acts coupled with unfavorable industrial and commercial developments. After recovery from the recession of 1884–85, prosperity redoubled. Between 1886 and 1890 nearly forty thousand miles of railway were built at an expenditure of three quarters of a billion dollars, an outlay which stimulated production and exchange in many fields. The iron and steel industry doubled its output, and related mining enterprises were correspondingly benefited. The public domain and railroad lands were filling with settlers in new regions of the Southwest and Northwest; immigrants pouring into these regions swelled a population growing rapidly anyway. Staple crops broke former records. The loans of banks expanded. Capital was readily furnished by investors. New issues of bonds in 1890

were two and a half times what they had been five years earlier, and issues of stocks trebled. Volumes of these securities were bought abroad, especially in England, a fact which became a matter of consequence later. General prosperity stimulated imports while our exports of merchandise declined.

We were able to sustain an unfavorable balance of trade by a growing export of securities. While we did not send Europe enough in goods to pay for what we bought, we made up the difference in railroad, industrial, and other bonds and shares. The London market in three years invested $100,000,000 in American railroads alone.

While we were piling up private debts abroad, the Treasury was accumulating a surplus from import duties and internal taxes. The Treasury did not need this money and the people of the country could have used it. The Democratic administration of President Cleveland had been unable to get rid of the surplus by reducing the tariff. When the Republicans displaced Cleveland with President Harrison they proposed to solve the problem by raising protective duties, putting sugar — a great revenue producer — on the free list, and by increasing federal expenditures for pensions and internal improvements.

The Sherman Silver Purchase Act, 1890

But in order to enact the protective tariff the Republicans needed the votes of the silver senators in their party. These demanded unlimited coinage of silver, which the President and conservative leaders under him could not approve. The stubborn Senate ignored the tariff bill sent to it by the House. The result of a week of pulling and hauling was a compromise which became the Sherman Silver Purchase Act of 1890.

This law required that the Treasury purchase monthly 4,500,000 ounces of silver, to be paid for in Treasury notes which would be legal tender for all debts private and public, including customs. These notes (paper money) were to be redeemable by the Secretary of the Treasury "in gold or silver coin at his discretion." This discretion, however, was limited by the explanatory phrase, "it being the established policy of the United States to maintain the two metals on a parity with each other upon the present legal ratio. . . ." These words, which settled a quarrel in a committee room, were to provoke a more mischievous quarrel in the country later on. It came to be asked, Could paper money be redeemed in silver only if the Treasury chose? Or must the

government, on demand, pay gold? The Sherman Act put into circulation about $50,000,000 annually of Treasury notes, more than half as much again as were issued under the Bland-Allison Act of 1878. However, the law of 1890 did limit the silver purchases by stipulating that the Treasury should buy a given number of *ounces* rather than dollars' worth. This was of consequence, since silver was falling in value.

Panic in England and Germany in 1890 contributed to that in America in the same year. Prosperity had led those European countries into speculative investment at home and abroad. The British learned too late that Argentine lands at that stage had little value, that railroads through undeveloped regions could not earn their charges for years, and that politicians were stealing funds instead of constructing public improvements. The great English banking house of Baring Brothers failed. In the liquidation which followed, European investors sold their American securities. This began a tumble in the stock market here, for which the way had been prepared by our own speculations in silver and securities. Loans for use in the stock market were practically unobtainable. Commercial failures followed, with depression of business for six months into the year 1891.

Then matters mended in America because we had successful crops that season while the European harvest was a failure. Gold began to flow to us instead of away from us. But brightening prospects darkened. Our paper currency increased. Banks did not want the paper. The Treasury did not want it. Banks and government hoarded gold. Silver interests continued to demand that the gold standard be set aside. This made European investors nervous; they unloaded securities here and set up a flow of gold from America. The Treasury was a heavy loser of gold in this process. Increased government expenditures resulted in more paper money coming back for redemption in gold. There was altogether too much concern to have gold.

Thus matters stood when in 1892 Cleveland, the Democratic nominee for President, was elected by a huge majority over Harrison, the Republican. Business interests had faith in Cleveland's attachment to gold, though the Democratic platform had been most uncertain on this question. The Populist or People's Party had polled more than a million votes and sent four senators and eleven congressmen to Washington. The Populists were highly inflationist. They demanded unlimited coinage of silver and denounced maintenance of the gold standard as "a vast conspiracy against mankind, organized on two continents." They wanted a doubling of the money in circulation.

In spite of straining, the Republicans had turned the Treasury over to the Democrats with barely more than the one hundred million dollars of gold declared by law to be prudent for the redemption of United States notes. The new administration had been in office only a month when the gold reserve of the Treasury fell below the legal minimum. Secretary Carlisle gave out an interview which supported the growing fear that he would soon redeem in silver instead of gold. President Cleveland tried unsuccessfully to counteract the danger. He declared the government was determined "to preserve the parity between gold and silver." The fear would not be quieted. People wanted to convert securities into gold, and the drop in the stock market alarmed banks in the interior, especially western banks which, in order to meet runs upon them, called back their large reserves on deposit with eastern city banks. New York banks had lent this money in the stock market. Reclaiming it meant that speculators must suddenly sell their securities.

The torch was touched to the tinder when the National Cordage Company failed, May 5, 1893. It had been a favorite in the market. The rashness and corruption in its management, now disclosed, spread merited alarm. The average citizen had learned by sad experience that banks would not be able to pay out money long. He was going to get his as fast as possible, in any form, paper or gold made no difference. Often he came too late. That year one hundred and fifty-eight national banks failed, practically all of them in the West and South, not to speak of three times the number of other banks. Sometimes tellers had to close their gratings in the face of frantic depositors demanding their money while reserve funds were on the way from New York. Banks of the big eastern cities issued clearing-house certificates to take the place of cash. In June, call loans were at the interest rate of 74 per cent; nobody could get time loans. New York banks virtually suspended, refusing to cash checks of their own depositors except for the most necessary purposes. A premium of 4 per cent in certified bank checks was soon offered by money brokers for cash of any sort. This helped induce gold imports, and with this development the panic relaxed.

The extra session of Congress, called for August expressly to repeal the Sherman Silver Purchase Law, was decisive. The House objected but passed the repeal by a majority of East and Middle West against South and West. In the Senate demands of silver-producing and debtor states were louder. Not until a filibuster was broken did the Senate fall into line. The difficulty with which further purchases of silver for cur-

rency purposes was repealed, in spite of widespread conviction that this policy had brought on the panic, showed that silver advocates were checked but not beaten, and would continue their demands.

Depression Following 1893

Improvement in the condition of banks and the stock market was not followed by recovery of business generally. On the contrary, alarming commercial, industrial, and railroad failures were followed by more than two years of stagnation. Among railroads the Reading, Northern Pacific, Union Pacific, Santa Fe, and Erie collapsed. Within two years a fourth of the railway capitalization went into bankruptcy, in large part due to withdrawal of foreign investment. Agriculture fared badly. The corn crop of 1894, because of drought, was only a fourth as large as in the previous year. Ironically, this loss was added to the ruinous price of fifty cents a bushel for wheat because of a bumper crop here and in the rest of the world. Workers protested against the hard times. "Coxey's Army," a numerous band of the destitute unemployed, marched from the Middle West to Washington demanding easier money, public works, and other forms of relief. It was looked upon with mingled fear and disdain, but presaged much that was to follow in later years of depression. Strikes in Chicago and elsewhere, especially Eugene V. Debs's leadership of the American Railway Union, caused the apprehensive to believe that business breakdown was about to bring labor insurrection, even revolution.

While the country was thus distressed, the Treasury, temporarily relieved by gold imports and a false financial recovery, was plunged into trouble which lasted two years. A revenue deficit was draining the Treasury month by month. Diminished income from customs and internal taxes did not give the Treasury enough paper money with which to pay its expenses. Therefore gold, doubly precious at this time, had to be used for ordinary disbursements. The Secretary of the Treasury begged to be allowed to issue bonds to obtain gold to restore the reserve, indeed to insure solvency of the government. But Congress was deaf to the plea. Finally the administration took belated action without Congress and offered a bond issue of $50,000,000. Subscriptions "must be paid in United States gold coin."

But the terms of the loan were too hard. Failure was imminent when Secretary Carlisle persuaded New York bankers to make up four fifths of the subscription. Even so, the intended gain of gold by the Treasury

was disappointing. Nearly half of the gold paid in on the loan had been withdrawn from the Treasury for that purpose by redemption of paper money. The Democratic revision of the tariff in 1894 did no more to produce public revenue. The sugar duties, removed by the Republicans in 1890, were only partially restored and the level of protective duties remained high. Those who favored the act comforted themselves with the hope that the income tax, which formed a part of it, would make up deficiency elsewhere. But before this income tax could yield any revenue, it was held unconstitutional by the Supreme Court, in 1895. The ground was that a levy on income was a direct tax, and since it was apportioned according to income and not according to population of the states it was illegal.

In the winter of 1894 the New York bankers were again pressed to give gold for bonds, and again half the gold thus obtained came as before from the Treasury itself. With the Treasury gold reserve continually sinking in spite of all efforts to build it up, foreign investors were more than ever determined to get their funds out of this country. Of course, they demanded gold. Paper money was presented to the Treasury to get this gold. In February, 1895, the gold reserve fell to $41,000,000. Financiers at home and abroad waited to see the government lapse into depreciated currency.

Cleveland's Bargain with International Bankers

The situation was saved by President Cleveland's appeal to an international syndicate of bankers to furnish the government with $65,000,000 of gold. Half of this gold was to come from Europe, not as previously from our own Treasury. Moreover, the syndicate was to exert itself "to protect the Treasury of the United States against the withdrawal of gold pending the complete performance of this contract." The last assurance was to be carried out by providing in London a credit which would make shipment of gold from this country unnecessary. J. P. Morgan and Company, and August Belmont and Company, the latter acting for the Rothschilds, did not render these benefits to the government without compensating advantage to themselves in favorable price of the bonds which they took in payment for their gold. All important New York banks were soon persuaded to join the syndicate.

Cleveland was immediately blamed for what was pictured as connivance with international financiers to fasten the gold standard on this country. The hardships and the frustration of the depression, which

bore upon indebted farmers, unemployed workers, and small-business men who were losing their property cried out against what seemed to be the President's subserviency to the "money bags." America had enormous productive capacities which had been signally demonstrated in the recent period. Why should these great national powers be prostrated before the fetish of the gold standard, which restricted the supply of money and made hard times? Money was made for man, not man for money. The popular protest soon to roll through the country in a new demand for free silver coinage took not a little of its impetus from Cleveland's transactions with world bankers.

Promptly following the international loan, American industries, agricultural staples, and stocks began to show recovery. Foreigners again invested here eagerly. However, speculation went too far. The reaction brought a demand for export gold which the syndicate could not prevent or control. When the syndicate's agreement with the government expired, the Treasury reserve was once more far below what was considered safe to insure redemption of paper money in gold.

But matters were really mending. The country had tasted revival. A larger proportion of funds, instead of being loose for speculation and mischief, was being used in the day-to-day business of the country and was held by the Treasury. The congressional elections had turned out the Democratic majority and installed a larger Republican one. This promised less threat to gold. In January, 1896, the government called for the large loan of one hundred million dollars in gold. The appeal was not to coerced bankers or a syndicate cajoled at high cost, but to the public, and the subscription exceeded the offering more than five times. The tide had turned, and public confidence and prosperity were to follow. The Gold Standard Act of 1900 was a consequence of these happy developments. It formally marked the end of the currency controversy, but the cause was the return of prosperity.

This was not accomplished, however, before free coinage of silver at the old ratio of sixteen to one made its most spectacular appeal in the presidential campaign of William Jennings Bryan on the Democratic ticket in 1896. Elected to Congress in 1890 and 1892, Bryan was identified with the silver wing of his party. Unsuccessful in his candidacy for the Senate in 1894, he became editor of an Omaha, Nebraska, newspaper and extended his influence by popular lectures in favor of free silver. He was chief of those who strove successfully to elect a majority of free silver delegates to the Democratic Convention in Chicago in 1896. The former leadership of the party, which supported Cleveland ("gold

Democrats"), centered in New York. This group was now pushed aside by West and South, debtor sections which had felt the brunt of the depression. Cleveland had progressively lost control of his party, split as it was into high protection and free silver factions, both of which had his disapproval.

In the convention Bryan, then only thirty-six years old, rose to discuss the platform. He was earnest, magnetic, gifted with powers of persuasion. He was promptly given the nomination on his burst of eloquence:

> Having behind us the producing masses of this nation and the world, supported by the commercial interests, the laboring interests, and the toilers everywhere, we will answer their demand for a gold standard by saying to them: You shall not press down upon the brow of labor this crown of thorns, you shall not crucify mankind upon a cross of gold!

Cleveland Democrats who would not desert to McKinley, the Republican nominee, and who could not vote for Bryan, ran their own candidates. In a total popular vote of 13,600,000, McKinley received a 600,000 majority.

In the presidential campaign of 1896, Bryan's inflationary cure for depression may not have been the wisest one, but there was no doubt that the "Great Commoner" stood for control of government by the masses of the people instead of continued delegation of this power to business magnates. "Dollar Mark" Hanna, McKinley's campaign manager, accepted the challenge and swung the money millions in behind the gold standard and the pretensions of big business. The country was promised Republican prosperity.

Spanish-American War an Escape from the Depression

Having won the election, the question with the business cohorts was, how to get out of the depression and make good on the prosperity pledge. It is a rule that profit enterprise, in order to live, must expand. Before 1893 it had expanded too fast, but then four years of contraction had prepared for expansion again. Just at this time we had occupied the last physical frontier of our own continent; there was no more home territory to draw investment into this development. What more natural than that old proposals for seizing Cuba should be revived and this time be pushed to completion? A war for foreign territory would revive business on the double-quick; there would be war orders for goods of all sorts, new areas would be seized for exploitation, and the public, temperish after years of depression, would be distracted to patriotism.

Said Senator Lodge from industrial and financial Boston: "Our immediate pecuniary interests in the Island [Cuba] are very great. They are being destroyed. Free Cuba would mean a great market for the United States; it would mean an opportunity for American capital invited there by signal exemptions."

In the Spanish-American War, which lasted for four months in the spring and summer of 1898, we were guilty of aggression against a weak nation such as we later condemned in Germany, Italy, and Japan. The people of this country were told, and believed, that they were freeing Cuba. Really they were freeing capitalist industry and finance for imperialist expansion, to the cheers of jingo newspapers. President McKinley himself did not at first agree that our "manifest destiny" lay in seizing foreign territory. But the persistent urging of his business backers and the hypocritical shrillings of Joseph Pulitzer's New York *World* and of William Randolph Hearst's press prepared the way for a change of front, and the mysterious sinking of our battleship *Maine* in Havana Harbor in February, 1898, turned the trick. Thereafter McKinley listened to popular cries and also embraced the imperialist designs of those who were engineering the hysteria.

Poor Spain, foreseeing the inevitable outcome of a fight with a major power, embarrassed the American warmongers by conciliatory offers, but these were hastily brushed aside. The war itself was a farce for the benefit of army contractors, newspaper feature writers such as Richard Harding Davis, and the political ambitions of men like Theodore Roosevelt, organizer of the "Rough Riders." It was not for the benefit of the three hundred killed in action, and ten times that number who died of typhoid and dysentery, or of others who survived in spite of "embalmed beef" supplied to the camps. When the tragi-comedy was over, when we had paid for sending enemy troops home, and the echoing shout, "Remember the *Maine*, to hell with Spain," had died down, we had a free field in the Spanish Caribbean and we had annexed the Philippines. We were launched as an imperialist power. We assured ourselves of nobility in uplifting those whom we had liberated from foreign oppression, though this was to involve submitting the emancipated to the mercies of American marines and New York bankers. President McKinley told a group of missionaries that a revelation had come to him in answer to anxious prayer: "There was nothing left for us to do but to take them all, and to educate the Filipinos, and uplift and civilize them, and by God's grace do the very best we could by them as our fellow men for whom Christ also died. And then I went to bed and went to

sleep and slept soundly." His beseeching of Heaven would seem to have been unnecessary, for two years before he had confided to his own notes: "While we are conducting the war and until its conclusion we must keep all we get; when the war is over we must keep what we want."

Summary

The popular demand for inflation, for more and cheaper money, which was fairly constant from the close of the Civil War to the defeat of Bryan in 1896, grew out of the war with its irredeemable greenbacks, and was intensified by two major depressions, beginning in 1873 and 1893. This was on the whole a period of expanded production and of falling prices. Clamor for inflation came principally from the West, where new grain lands were yielding unprofitable surpluses and where silver miners wanted to sell their metal to the mints, and from the agricultural South, which was struggling to recover from war destruction.

The instrument of inflation was to be the greenback, until the law was passed in 1875 providing for redemption of this paper currency in hard money beginning with the year 1879. These hopes were disappointed, except that $346,681,000 of the greenbacks were left in circulation. For the next twenty years efforts of advocates of more plentiful money centered on silver coinage. The silver dollar had been omitted from the list of standard coins by a law of 1873. This was because no silver came to the mint anyhow, since the mint gave less for it, in terms of gold, than the silver would fetch in the bullion market. Then came hard times, and simultaneously a fall in the value of silver chiefly because of the enormous output of new American mines and substitution of gold in the currencies of European countries. A plausible way to get inflation, then, would be to return to the unlimited coinage of silver at the old mint ratio, in force before the demonetizing law of 1873, of sixteen to one. This plan enjoyed a partial victory in the Bland-Allison Act of 1878, commanding the Treasury to buy every month not less than $2,000,000 nor more than $4,000,000 worth of silver and coin it into dollars.

The next year the Treasury resumed specie payments; that is, redeemed greenbacks, when presented, in gold coin. This was the end of the premium on gold, of the greenback inflation, which ever since the war had helped to keep prices up. There was surprisingly little strain on the Treasury in accomplishing resumption, owing mainly to the return just at that time of business prosperity. A new depression in 1884 however, and the continued fall in the value of silver again raised

the sixteen-to-one cry. In 1890, silver advocates were successful in passing the Sherman Silver Purchase Act, under which the Treasury must buy monthly 4,500,000 ounces of silver, paying for this in silver certificates ("Treasury notes of 1890"). There was uncertainty whether the paper money must be redeemed in gold coin or might be redeemed in silver coin. This kept alive the scheme of silver inflation and helped to produce the panic of 1893. In that year the Sherman Silver Purchase Act was repealed. The Populist Party, in the depression following 1893, typified the demand for return to unlimited coinage of silver. President Cleveland, determined to keep the country on gold, secured the help of international bankers in supplying the Treasury with gold for that purpose. This increased the hostility toward him which produced a split in the Democratic Party. William Jennings Bryan was the official party candidate for President in 1896 on the platform of "free silver" at sixteen to one. He was defeated by the Republican, McKinley. In 1900 the gold standard was unmistakably established in law.

It must be remembered that there was always room for honest belief that the country, in a long period of increasing productivity and falling prices, needed more money, and that the gold standard cramped our capacities and defeated prosperity.

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* The four references marked with asterisks are for the Spanish War period.

Chapter 27

Business Combination

Now we are to tell the story of "big business" in America. The development began in the last quarter of the nineteenth century, with recovery from the depression which had started in 1873. Though checked at times by legal interference and diluted at intervals by the entrance of new industries, the movement has been persistent and on the whole accelerating to the very present. It has been the result of powerful forces, apparent not only in America but throughout the western world, and it has given us a characteristic feature of modern economic life.

Many still regard concentration of control in industry, commerce, finance, and transportation, and even mere bigness in the business unit, as inspired by mere greed, as the work of "ogres." This view, for a while, was inevitable. The innovator whose operations bring widespread injury is looked upon as vicious, as socially immoral, as criminal. Economic factors which have produced him and which drive him on are recognized only slowly. The next stage, and that which still probably represents public opinion in this country, is to exculpate the big-business man as an individual, even to honor him for his masterful qualities and success, but to brand his practices as violating the traditional economic code, as hostile to the welfare of the community. The argument has moved on from an indictment of the man to denunciation of the movement. Fairly recently some have come to wonder whether inveighing against men and movement is not futile and positively ill advised; whether bigness and combination have not come to stay because they are, or are susceptible of being made, economically beneficial.

This slow change in public attitude, still involving much confusion, measures the reluctance with which the concept of competition is relinquished. The suspicion has persisted that these great units of production and control owe their achievement, not to genuine economy but to piracy, not to thrift but to theft. As a matter of fact, the two have been combined. Many who engineered business consolidations

used "buccaneering" methods, or, in a milder term, "unfair trade practices." Frequently, if they remained technically within the law, they put themselves morally outside it, or they broke the law, even flouted it. Conspiracy, collusion, and the grosser forms of coercion have given a bad name to results which may be advantageous to the public economy.

The development which we have to trace marks the transition from small-scale to large-scale enterprise, with important economic, political, legal, and social accompaniments. Alterations in practice have drawn along behind them, painfully, alterations in theory.

Recently in Southern California a man tried to eradicate a weed which was crowding out the carefully tended bluegrass in his lawn. But the invader, with the vigor of a wild thing, crept, spread, putting down roots from every tendril and became matted. Pull it up and it came back; weed-killer acted as a tonic to it. Finally the discouraged gardener decided to make a virtue of necessity and accept a lawn composed of the weed. It obviously had a superior adaptation to soil and climate, requiring no fertilizer, demanding little water. It made a beautiful, thick sward. Neighbors saw it, admired it. The man gave it a Latin name, planted flats with it, sold it at a good price, and at the moment it is received as a blessing instead of a curse. Similarly, some think that business bigness and combination have vitality and benefits which recommend their adoption. Perhaps they belong to our economic soil and climate.

The growth in size of the business unit, often with consequent damage to competitors, had root in the favorable influences of the time. The Civil War had insured national political solidarity. By abolishing slavery, it opened the South as a more varied market, an ampler producer, a field for industrialization. The victory of the Union inspired confidence at home and abroad. The war caused intense new activity in industry, commerce, finance, and transportation. Particularly in the seven or eight years following the war the railroad net was spread wider and closer, including lines across the continent. The telegraph knit the country, petroleum was a new resource, and electricity was put to the uses of light and power. Invention of machines augmented or displaced hand labor, took industries from home and shop into the factory, and increased the scale of farm operations. Tariff protection continued high. The country had adopted a stable banking system, with a nationally acceptable note issue. Greenbacks stimulated business by lifting prices, and began to be redeemed when they became a threat to business interests. The Knights of Labor, it is true, had organized nearly a

million workers by 1880, but its methods did not meet with public approval, and the American Federation of Labor, which soon replaced it, had a loose structure and was content with defensive tactics or with small if persistent gains. Millions of cheap workers, adapted to mass production, poured in from abroad. Depression itself had been a benefit, killing off weak business units and necessitating the search for economical methods of production and management.

Pools, Trusts, Holding Companies

So enterprises, particularly those requiring heavy investment in plant, grew in size. This meant they must expand their markets. Here they collided with one another. The competitive scramble was no longer the jostling of piglets, but the charging at one another of full grown boars. The results promised to be bloody. The contestants saw this and formed combinations of several sorts. The earliest kind, the pool, despite its defects, has been returned to time and again. A pool is an association of independent concerns which surrender part of their autonomy for the usual purpose of preserving or raising the prices of their products, or lowering the prices of their raw materials by eliminating competition among themselves and restricting competition of outsiders. Total output might be agreed upon and allocated among the members, as in the steel-rail pool organized in 1887. Sometimes the agreement provided directly for maintenance of prices. There might be a central administrative committee which assessed penalties for overproduction or other infractions, the proceeds going to the members offended against. A favorite device was to allot sales territory, confining parts of the market to particular producers, as in the cast-iron pipe pool, the wire-nail pool, and the meat-packers' pool. This division of the field reached international proportions with the agreement in 1902 between the American Tobacco Company and the Imperial Tobacco Company of Britain. Some pools set up central selling agencies which saved expense and prevented price-cutting.

The attraction and the weakness of pools lay in their loose organization. Members kept most of their sovereignty, but often one or several firms abused this by breaking faith with their fellow members. This was especially true when demand fell off and a recalcitrant would refuse to reduce output or to maintain prices. There was little honor among thieves. Thus, a pool would break up, resulting hurtful competition would revive it, then it would be dissolved again. Pools were contrary

to the common law as conspiracies in restraint of trade, forbidden by the Sherman Anti-Trust Act of 1890, and so were always furtively conducted.

A tighter and more durable form of association was the trust. The term *trust*, in common speech, came to be applied to almost any form of big business combination, and has continued to be used in this general sense. Properly the trust consisted in the surrender of voting stock in competing companies to trustees who in return gave trust certificates. Thus, all the companies were managed by the trustees as a unit. The holder of trust certificates no longer had a right to demand earnings of a particular company, but only his part of the general proceeds. So he did not care what happened to his old company. Its plant might be dismantled, its brands discontinued. The trustees, as managers of the combination, could buy or admit additional companies, build new plants, expand the business in new directions. The Standard Oil trust, started in 1879, of which we shall say more later, set a pattern soon followed by the whiskey, lead, sugar, cordage, cottonseed oil, and other trusts.

It was soon advertised, in decisions of state courts and in state and federal legislation, that trusts were illegal. Chief decisions were in Louisiana against the cottonseed-oil trust, in Nebraska and Illinois against the whiskey trust, in New York the sugar trust, and in Ohio the oil trust. It was declared that a corporation might not "divest itself of the essential and vital elements of its franchise by placing them in trust." It might not "give away to an irresponsible board its entire independence and self-control," and it was "a violation of law for corporations to enter into a partnership." So the trusts were dissolved.

But this was only a setback to the progress of the combination movement, and anything but a stoppage of it. Promptly New Jersey came to the rescue by amending her corporation law in 1889, with further enlargement in 1893, to permit holding companies. Delaware, Maine, West Virginia, and New York soon passed similar legislation so as to share in the gains from peddling state sovereignty.

The Sherman Anti-Trust Act

We must pause here to give the terms of the Sherman Anti-Trust Act of 1890. It was the result of mounting resentment against monopolies in the states and the nation. Political parties as early as 1884 called for remedial legislation, platform denunciations were intensified, and by

1888 a flock of bills were introduced in Congress. President Harrison in his first annual message urged on the attack. Senator Sherman of Ohio introduced bills in 1888 and 1889, the second of which, after considerable change, became the short, simple, and emphatic statute of 1890. Its most significant provisions were: "Every contract, combination in the form of trust or otherwise, or conspiracy in restraint of trade or commerce among the several States, or with foreign nations, is hereby declared to be illegal." Similarly was condemned "Every person who shall monopolize, or attempt to monopolize, or combine or conspire . . . to monopolize" interstate or foreign trade. For any of these offenses a fine up to five thousand dollars or imprisonment up to one year, or both, were attached. Any person (including corporation) injured by the forbidden practices might sue and recover threefold damages. The first prosecutions under the act enjoined an unimportant coal-mining combination and put Eugene V. Debs and other leaders of the Pullman strike in jail for six months, but seemed to give an immunity to industrial combinations according to inference from the sugar-trust case in 1895. We shall explain this sugar (E. C. Knight) case later.

The holding-company form did not prove popular at first. To some it seemed too patent an evasion of the Sherman Act. The holding-company device enabled a trust to turn itself, swiftly and easily, into something technically legal. The company, properly incorporated, acquired ownership of stock in what remained ostensibly independent companies. If a trust was transforming itself, the trustees became directors and exchanged stock in the new company for the old trust certificates. The several companies making up the combination were legally intact; they were not corporations which defied the law by entering, as formerly, into a partnership or trust. But the combination was no less effective. The directors of the holding company, by voting controlling stock in the constituent companies, could manage them as one. Often the holding-company device was carried a step farther by acquisition, not of stock in the subordinate companies, but of their property itself. An additional step, by which the holding company disappeared, was the outright merger of several companies, payment being made, not to the constituent companies — which in the act of merger vanished — but to the individual stockholders of each.

The Standard Oil Company, having abandoned its trust form, feared to embrace any of these others until 1899, when it became a holding company. In the interval of seven years the immense combination, with assets of more than $100,000,000, was effectively operated as a unit

because a handful of men owned the majority of shares in the several companies (they were the old trustees), and could agree on policy.

The decision of Standard Oil to give legal form again to its combination was typical of the great consolidation movement of 1897–1902. The depression was over, Bryan's free-silver heresy was knocked out with his defeat for the presidency in 1896 and was killed in the Gold Standard Act of 1900. Not only did McKinley usher in sound money; he increased protection in the Dingley Tariff Act of 1897. At the same time our favorable balances in foreign trade shot upward. The Spanish-American War in 1898 was a temporary check, but soon proved the prelude to intensified business activity and new industrial promotions and combinations, culminating in the Morgan-underwritten billion-dollar United States Steel Corporation in 1901.

In the years 1879–96 there were formed only a dozen combinations, with capital of $1,000,000,000. By 1899 there were 185 combinations with capital of more than $3,000,000,000 — one third of all the industrial capital of the country. Some seventy of these, mostly organized after 1897, were giants with capital of at least $10,000,000 each. By 1904 there were three hundred combinations, with capital of $6,700,000,000, and others with $500,000,000 of capital were being brought together. Thus, two fifths of the manufacturing capital was in combinations. The giants had grown, for ten of them had capitalizations of $100,000,000 or more each, and their approach to monopoly was closer than ever. The biggest year for the birth of "trusts" was 1899, when eighty-seven with capital of $1,000,000 or more each were launched, exceeding in numbers and power the record of all the years up to 1897. As many combinations were formed from 1901 to 1903 as in the three years before; these were inclined to be holding companies rather than mergers which had been more popular in the first part of the period, and perhaps their degree of control was less. As we shall see in more detail later, after the Supreme Court held a combination of two railroads through a holding company illegal in the Northern Securities case of 1904, the outright consolidation came back into preference. The courts, however, soon made it apparent that unreasonable restraint of trade was illegal, the manner of its accomplishment being of little importance.

Promoters' Profits

While the prospect of enhanced industrial and commercial profits was the main motive in bringing about combinations, promoters' profits

figured prominently. Promoters (including in this term the organizers proper, the underwriters, and lawyers) generally took their "rake-off" in stock, both as an act of good faith and because they considered that form of payment the most lucrative. They got from a third of the total issue of the combination down to a nominal proportion where their agency was slight. The promoter, unless he was one of the manufacturers who looked forward to a gain in manufacturing profits, began his operations with no more than a gleam in his eye. He took options on the plant or stock of the companies he wanted to combine, secured financial backing to supply working capital and the cash that would be needed to induce some to sell. He ordinarily organized a new company to acquire those to be combined, and he accomplished the transfer of the separate old companies to the new central company. The common stock issued in these consolidations was regarded as a bonus, a bait, to the owners of the constituent companies. It was the common stock in which promoters were paid, and it was thrown around almost like water. This water often swelled the capitalization of the combinations to several times the value of their physical properties and good will. The typical combination was heavily watered. Generally profits were high on the nominal capitalization, but they were much higher, of course, on the real profit-earning property involved.

The underwriting syndicate (financiers, bankers) made 200 per cent profit in the United States Steel Corporation deal — over sixty million dollars, and at least a third that much had been taken by promoters of the subsidiary combinations of which the great trust was composed. It is not to be inferred that the underwriters and other promoters took no risk. They might find that they had put their money and ingenuity into an unprofitable venture. But in far more cases they contributed less than they were paid for. Frequently all that was necessary was for the bankers to prime the pump of public cupidity, and ample funds flowed from eager investors.

The setback to the consolidation movement caused by the decision of the Supreme Court in the Northern Securities case declaring a great holding company illegal, with the popular agitation which rose to crescendo shortly before, was more apparent than real. But the interdiction of typical industrial combinations — Standard Oil and American Tobacco — in 1911 almost halted the movement until the outbreak of the first World War. Henry Demarest Lloyd's book *Wealth Against Commonwealth*, published in 1894, excited public indignation against trusts. A telling journalistic use of official reports, it combined a crusad-

ing individualism with documentation of industrial and financial piracy. The United States Industrial Commission, from 1898 to 1902, pursued its comprehensive inquiry into every aspect of concentration of control. Its many volumes of reports, appearing over the years following, kept reminding the American people of practices which hurt or destroyed competitors, and, in their own testimony, presented certain prominent captains of industry as callous to the public interest. The Commission offered no program, but furnished an arsenal of authentic information on which reform agitation drew. The Chicago Conference on Trusts (1900) had contributed in the same direction. The Bureau of Corporations was established in 1903 as a continuing government investigating and reporting agency supplying factual data on which anti-trust prosecution could feed.

Government's More Tolerant Attitude

Theodore Roosevelt became President in 1901, and most people believed that his "big stick" would be wielded in indiscriminate "trust-busting." He denounced "malefactors of great wealth," but it was soon seen that he distinguished "good" from "bad" combinations in restraint of trade. The pale cast of thought which had sicklied o'er his resolution was a sense of expediency. This was prompted partly by the panic and depression of 1907 and partly by a dawning recognition that economic factors, such as technological advantages of large-scale production and distribution, and not just personal villainy, were powerful forces making for combination. Thus he gave his assent to absorption of the chief Birmingham, Alabama, iron and steel mills by the United States Steel Corporation. Attempt at thoroughgoing eradication of combinations would be a cure worse than the disease. The economic and business life of the country could not stand such bold surgery.

So Theodore Roosevelt asked Congress, though in vain, for legislation which would permit government prosecution to pick and choose between desirable, or at least allowable, and anti-social consolidations. This purpose, however, was realized in the conversion of the majority of the Supreme Court, in the oil and tobacco cases of 1911, to the "rule of reason." It was now held that not all restraints of trade, but only "unreasonable" or "undue" trespasses, were to be condemned. Efficiency was at stake. And what about business giants which had grown, not by feeding on assassinated competitors, but from internal economies? And were there not certain rights over the disposition of private property

which might not be restrained by a sole regard for public distaste? Therefore, bigness was not to be the test, but rather, abuse of bigness. This tolerant doctrine was repeated in the United Shoe Machinery (1913), United States Steel Corporation (1920), and International Harvester (1927) cases. The company controlling over 96 per cent of shoe machinery, observed the Court, "has magnitude, but it is at once the result and cause of efficiency, and the charge that it has been oppressively used is not sustained." A turning-point was reached when the Steel Corporation was let off with the declaration that "the law does not make mere size an offense." Louis D. Brandeis continued to inveigh against bigness, but the drift of industrial development, public acceptance, and judicial interpretation were away from him.

We are running a little ahead of legislative history. President Taft had proposed minor changes in anti-trust law, but accomplished nothing. Woodrow Wilson's campaign for the "New Freedom" embraced "the proposition that private monopoly is indefensible and intolerable." The Underwood Tariff Act (1913) lowered duties partly in line with the contention that trusts had been fostered by protection. When Wilson delivered his main anti-trust program to Congress early in 1914, it was seen that his list of specific additions to existing law was much what Roosevelt had been urging, just as the Federal Reserve Act, passed immediately before, was a Democratic adaptation of a scheme which Republicans had worked out.

The result was the Clayton Act and the Trade Commission Act, signed in 1914. Both were supplementary to the Sherman Act, which remained the broad, underlying statute, for these later laws struck at particular devices for combination which had been used in the following quarter-century after the Sherman law. The intent now was to prevent unlawful combination before it took place, rather than, as in the Act, to dissolve what had already solidified.

As illustrative examples, we shall look now at two of the conspicuous combinations, those in oil and tobacco. The Standard Oil combination rose to dominance in its field because its promoters saw just where collusion would be most effective in accomplishing their objects. These promoters were checked not at all by their own consciences and hardly more by attempted legal prohibitions. Conspiracy was always the lever, but transportation became the fulcrum on which Standard Oil relied to pry producers, refiners, and consumers into serving its profit-making interest. Standard Oil will always be thought of in terms of John D. Rockefeller, its guiding genius, though he was aided by many men of similar capacities and bent.

Rule or Ruin Through Rebates

Rockefeller, son of a traveling medicine-seller, was born in central New York in 1839. When he was sixteen he began working in Cleveland, Ohio, as a bookkeeper, and three years later went into the produce commission business with a partner. Drake sunk the first oil well at Titusville, Pennsylvania, less than a hundred miles away, in 1859, and in 1862 Rockefeller's produce firm made its first investment in an oil refinery at Cleveland. In 1865 Rockefeller withdrew from the produce business and went into oil refining exclusively. The first refineries grew up at Cleveland and Pittsburgh, or on the Atlantic seaboard — New York, Philadelphia, and Baltimore — rather than in the oil region where the delivery of machinery and other equipment was awkward and expensive. Cleveland had the advantage of good transportation to New York by the Erie and New York Central Railroads, and the Erie Canal. Rockefeller's business expanded most rapidly, and in 1870 he combined his several enterprises into the Standard Oil Company, with capital of $1,000,000. This was the largest oil refining business in the country, with 10 per cent of the output; though it had at the start two hundred and fifty competitors, in less than a decade it produced 90 to 95 per cent of the output.

The secret of Rockefeller's success was not in thrifty management, for rivals were expert in that department. It was in rebates which he could exact from the railroads on shipments of crude oil from the fields and on refined oil to the seaboard. The railroads, practically paralleling each other and the Erie Canal, were in vigorous competition, engaged in rate wars, and unchecked as yet by statutory law would discriminate between shippers to get business. According to the rebate device, the privileged shipper paid the regular published rates on so many thousand barrels of oil, and at the end of the month would receive back from the railroad, in cash, a substantial percentage of the freight he had paid. Rockefeller soon got to the point where he not only received rebates on his own shipments, but on those of his competitors! For a few years Rockefeller's rebates were unsuspected, but then those of his rivals with the wit to do so began to demand and get them, though their rebates were smaller because, as the railroads explained, their shipments were less.

The railroad rebate and other devices of Standard Oil for injuring — indeed ruining — competitors became notorious with the operations of the South Improvement Company in 1872. The South Improvement

Company, when Rockefeller and his friends bought its charter, had nothing but its charter to sell. But its charter contained no limitations, granting the privilege of engaging in any sort of business anywhere. In the hands of a small and secret group of oil and railroad men it was to be the means of replacing competition in the oil refining business by monopoly. The effective threat was that unless rivals sold their plants to the combination they would be crushed through the superior rebates enjoyed by the consolidation.

The incentives to combination, special to the oil refiners and railroads serving them, were several. With the mounting output of crude and refined oil, prices and profits had fallen to less than half of what they had been five or six years before. Prices of kerosene and other refined products for export to foreign countries had declined the most, and foreigners were beginning to demand only crude oil, preferring to do their own refining. Also refineries almost equal in capacity to those of Cleveland had developed in the oil regions at the sources of supply. The railroads which served Cleveland, wanting to preserve its valuable business, became ready allies of Rockefeller and his associates, who had a dominant position in the South Improvement Company. A monopoly, if it could be obtained, would raise prices and profit margins by restricting the output of refined and crude oil, including the crude that was allowed to go to foreigners.

Retaliation by Injured Producers

The first move was to bring all of the Cleveland refineries into the Standard Oil Company, which had more than doubled its capitalization. In three months in 1872 all but five of the twenty-six independents capitulated, selling their plants at the Standard's own low valuation of them, sometimes for cash, but usually for shares in the Standard Company. They were convinced that if they did not come into the combination they would be destroyed by the advantages which the South Improvement Company (Standard Oil) enjoyed with the railroads. Some of the railroad men at first had wondered whether they were not going to lose more through injury to the crude oil producers than they were going to gain by their agreements with this powerful knot of combined refiners. They were won over by the understanding that the rival roads would apportion the great shipments of the South Improvement Company among themselves according to agreement, thus ending their rate wars. The rebates enjoyed by the combination on its own shipments

and on those of the independents were enormous. Thus, the open rate on refined oil from Cleveland to New York was two dollars a barrel, but the South Improvement Company got back fifty cents of this on its own shipments and was paid a like amount on every barrel sent out by its Cleveland competitors. From the oil regions to Cleveland the published rate was eighty cents a barrel on crude, but the South Improvement refineries paid only forty cents and got, too, forty of the eighty cents paid by their rivals. Crude to New York ostensibly paid $2.56, but South Improvement got a rebate of $1.06 on everybody's business. More, South Improvement Company was acquainted with the operations of their competitors by duplicate waybills submitted to it daily by the railroads.

In February, 1872, the railroads which were parties to the conspiracy doubled freight rates from the oil regions — to all except members of the South Improvement Company. The producers and region refiners were panicky in their first mass meetings of protest, but soon was formed a Petroleum Producers' Union to refuse crude oil to South Improvement refiners and, where they could, to maintain a blockade against the offending railroads. To the surprise of South Improvement promoters the embargo worked so effectively that Cleveland refineries had to close, throwing their workers on charity. The Producers' Union acted promptly to publish all the facts they could discover about the South Improvement scheme and to demand investigations by the Pennsylvania Legislature and by Congress. They allied with themselves the New York refiners, who had been left out of the intended monopoly, and persuaded the railroads — which were the crux of the situation — to repudiate their contracts with the South Improvement "Monster."

In the argument over the merits and demerits of consolidation, as in the mere trial of strength, the designing monopolists came off second-best. Rockefeller and his associates explained that they wanted to replace overcapacity, speculation, and violent fluctuation in the business by controlled output and steady, if increased, prices to the consumers. They said this result would be better for everybody — even, they added unconvincingly, for consumers. The railroads, admitting that they hoped to gain only $1,500,000 a year from the increase in freight rates, while South Improvement was going to get $6,000,000 from this source, yet maintained that the plan was desirable from their standpoint because it gave them, in the shipments of the combination, "an evener to pool the freight — pool the oil freights among the different roads; that they had been cutting each other on oil freights for a number of years, and

had not made any money out of it . . . ; that they had endeavored to make an arrangement among themselves, but had always failed. . . ." The producers and their allies (the general public was soon on their side in the oil war) maintained that uniform treatment of all shippers by the railroads was in effect required by the railroads' charters, and that such treatment, with no rebates or drawbacks given to anybody, through competition would bring efficiency in the business and fair prices to consumers.

The opponents of the South Improvement Company were victorious on every front after a blockade of forty days. The Pennsylvania Legislature repealed the charter of the company, the congressional committee branded the scheme as the "most gigantic and daring conspiracy," and the railroads, though reluctantly, cancelled their contracts and revoked the rates so bitterly complained of, reducing them by 40 per cent. Equally important in the eyes of the independents was the agreement of the railroads that in future oil would be carried on "a basis of perfect equality to all shippers, producers, and refiners," with no rebates. Official evidence shows, however, that this promise was immediately broken, Standard Oil continuing to enjoy rebates.

Standard Oil Used Successive Forms of Combination

Rockefeller immediately began forming a refiners' pool which soon embraced practically all the refiners of the country. Each independent refiner joining the pool was to operate his own plant, but Standard Oil was to say how much he might produce, was to buy his crude, negotiate with the railroads for his shipments, and sell his output. This combination, threatening to depress further the low price of crude oil, was so resented by the oil region that, in retaliation, drilling of new wells and even pumping of existing ones were stopped for a time. But distress in the region persuaded the combination of producers to enter an agreement with the combination of refiners, the success of which depended upon restricting the output of both crude and refined oil. This "unholy alliance" soon broke down, the well-owners abandoning themselves to an orgy of production. The refiners' combination also collapsed, but Standard began making its own barrels, acquired port facilities at New York, played off one railroad against another to get even more favorable rates for itself, and bought up pipe lines from the producing region to the railroads so that it could control prices of crude. When independent producers accomplished the seemingly impossible by running a hundred-

mile pipe line over the mountains to the seaboard, Standard imitated the feat, and after a sharp conflict practically absorbed its rival.

Standard Oil was now in control of collecting and refining oil. Its method of combination had mainly been that of merger, acquiring majority or total interest in competing enterprises. In 1879, however, it formed the first "trust." Nine trustees received the stock of the component concerns and gave in return trust certificates. The trustees managed all of the properties as a unit for the benefit of the certificate-holders as a unit. The claim of a certificate-holder was upon earnings of the combination, not of the plant in which he had originally held stock. Thus poorly located or antiquated plants were dismantled, new ones were bought or built. Through their ownership of certificates, four trustees of the nine in fact controlled the "trust." This agreement, as noted elsewhere, was invalidated by the Ohio courts in 1892, after which a "community of interest" was relied upon until this also was condemned, when in 1899 Standard Oil adopted the holding-company device. In spite of these mutations of form, there was no real change in business organization.

A part of the success of Standard Oil in achieving a virtual monopoly was in economies of large-scale production and distribution, notably the advantage of refineries well located to serve all parts of the country with savings on freight. It could deliver its products directly to the retailer, even the consumer, eliminating the middleman, who was always anathema to Rockefeller. Its plants and the whole of its operations were most capably managed. But it seems to be established that it rose to control through fraudulent and "unfair" practices. Many of these pertained to transportation, a slight difference in the cost of which determined whether a refiner prospered or was driven to the wall. The Standard soon acquired most of the pipe lines for transporting the crude oil, and by various devices prevented competitors from laying lines. One of the simplest of these devices was to persuade railroads which wanted the business of the Standard to refuse to let a pipe line of a Standard competitor cross its tracks. The oil had to be taken in wagons over the tracks by a public crossing and fed into the pipe line on the other side. Other methods were more effective, and less open. When the Hepburn Act of 1906 declared that pipe lines were common carriers and must accept shipments of anybody at reasonable and non-discriminating rates, the Standard long fought its constitutionality, meantime vitiating the intent of the act by all sorts of dodges. Also, the Standard continued to get discriminatory rates from railroads, in which the

monopoly soon became a heavy investor. The Standard would put down retail prices in localities where it met competition and recoup itself with high prices where there was no competition. These and other methods, resulting in the destruction of those who tried to enter the field against the colossus, earned for the Standard and for Rockefeller an historical suspicion and hatred which was partially dissipated only after many years during which the predatory industrialist turned philanthropist, giving away the millions and the dimes. Sometimes in its price wars the Standard, to avert criticism from itself, used what were ostensibly independents for its purposes. It employed espionage on competitors. In the decade ending in 1906, Standard made 60 per cent on its capital stock (almost a third water), and 25 per cent on its assets.

American Tobacco Company and Offshoots

The combination in tobacco, which came to embrace not only America but the world, was conceived, engineered, and dominated by James B. Duke. Duke was born in 1857, the son of a small farmer near Durham, North Carolina. In the Civil War both armies swept back and forth across the farm, so that when the father returned after his military discharge he found a scene of destitution. Fortunately a small quantity of leaf tobacco stored in an outhouse had been overlooked by the looting soldiers. It was of the "bright" variety, mild and sweet, for which the region is famous, and well adapted to the making of cigarettes, which were then becoming popular. Father and sons swept the floor of the log house, pounded up the tobacco, put it in little home-made sacks, and set off in a creaking spring wagon drawn by ancient mules to sell their product in eastern North Carolina. They were so successful that they bought more leaf, enlarged their business, and soon built a factory in the village of Durham. It is worth noting that this small frame factory, since replaced by a mammoth plant, had a partition down the center, the father and James doing business on one side, another son carrying on the same kind of production on the other side: that is, the family which did most to consolidate the tobacco manufacture began with division, which was characteristic of the industry at that time.

The Dukes soon took down the partition and dispensed with the hand-rolling of cigarettes by installing and improving the new Bonsack machines. James B. Duke now got the jump on his competitors by announcing a sharp reduction in the price of his cigarettes some months

in advance of the lowering of the Civil War tax. He started a factory in New York City and rapidly became one of the five manufacturers supplying most of the cigarettes of America. Deploring the expense of competition to all of them, Duke proposed a combination. When his plan was spurned as that of a young Tar Heel upstart, he put even a larger proportion of his resources into advertising, and as a consequence his rivals were soon glad to come into the American Tobacco Company, formed in 1890 with Duke as president; the capital stock of $25,000,000 was four fifths water in the sense that it was five times as large as the tangible assets of the combination. The company obtained exclusive use of the best cigarette machines, an advantage of which it was not deprived until it had clinched its commanding position in the industry. For the rest, the company preserved its nearly complete monopoly of the cigarette business and branched out into other lines by buying out competitors right and left for cash and stock. Often the purchased plants were closed, their best brands being manufactured in more efficient factories, and the old proprietors were bound not to re-enter the tobacco industry for long terms. Duke was a capable manufacturer, but an even more successful negotiator and merchant, understanding that these skills embraced the cut-throat practices prevalent at that time. He was inspired by the prospect of superior profit from combination, no matter how it was achieved. Generally he did not raise prices beyond what they had been under competitive conditions; rather he lowered them and sold a better product.

In 1898, men dominant in the American Tobacco Company formed the Continental Tobacco Company (often called the "Plug Trust") to control the chewing-tobacco industry. This was accomplished after two plug "wars" typical of the combination era. The Duke interests destroyed rivals or brought them to terms by cutting the prices of "fighting brands," two of them known as "Battle Ax" and "Horseshoe." Sometimes they sold to jobbers at less than cost of production, or gave away samples widely, making up losses from profits of the cigarette business. The American Tobacco and allied interests several times encountered strong combinations formed to oppose them; these they bought out, in one or two cases after sharp price wars, at figures that would have been exorbitant had not the resulting consolidation yielded enormous profits. The combination extended in other branches of tobacco manufacture, forming the American Snuff Company in 1900 and the American Cigar Company in 1901. The Consolidated Tobacco Company, organized in the latter year, was a holding company which joined the American and

Continental Companies by acquiring most of their common stocks. Common stock gave control to the men at the center of this new super-combination, and the consolidation afforded funds for fresh exploits.

The chief of these was the entrance into the English field with the purchase of a leading firm, Ogden's. This was not the first foreign plant owned by the American combination, for it had earlier bought companies in Japan, Australia, Germany, and Canada. The leading British manufacturers united in the Imperial Tobacco Company to fight off the invader, offering bonuses to dealers who would refuse to sell the American-owned brands. Duke instantly countered with a bold stroke. He offered to distribute to dealers who continued to buy Ogden's (American) products the entire net profit of the business for the next four years and £200,000 a year besides; this did not require the British dealers to boycott the goods of the Americans' rivals. The Imperial (British) interests threatened to invade the American field in retaliation, but at this point the international consolidators got together. The Imperial bought Ogden's and was to be left alone in the United Kingdom, the American interests were to have the American market, and a new, jointly controlled British-American Tobacco Company was to enjoy the trade of the remainder of the world.

Degree of Concentration

The American combination went on to purchase and greatly expand the American Cigar Stores Company to furnish standard retail outlets for its products. It also had subsidiaries making tin foil, cigarette boxes, and licorice paste. In 1904 the Consolidated and its great subsidiaries, the American and Continental, were merged into a new American Tobacco Company. The reason was that the Consolidated was a holding company, and holding companies of its type were declared illegal by the Supreme Court in the Northern Securities case of that year.

The American Tobacco interests from 1902 to 1910 monopolized all the chief branches of the business, having an output ranging from two thirds to over five sixths, except in cigars, where its output was one sixth. The United States Commissioner of Corporations declared that the greater the degree of control enjoyed in a branch of the business, the higher the profits. When the combination was acquiring control, it often made modest profits or actually lost on its output, only to recoup handsomely when monopoly was effected. Control was in the hands of a few officers and directors, and the bulk of the profits went to them.

In 1906, the American Tobacco Company had a total capitalization of $235,191,950, but only one sixth of this, the common stock, had voting power. Of this common stock, thirty-two persons, mostly directors, owned 77 per cent, and the ten largest stockholders owned 63 per cent.

The combination was dissolved by decree of the Supreme Court in 1911. What had been the secret of its success? It had profits about twice those of its competitors. This advantage did not lie in control of raw material, as in oil and steel, or in discriminatory transportation rates, or in the benefits of tariff protection. The Commissioner of Corporations concluded that the economies of the combination were mainly in large factories and in reduction of selling and advertising costs. The combination reduced the number of brands, putting its whole force behind the comparatively few it chose to manufacture. These superiorities were clearly demonstrated in the experience of the separate companies after the dissolution. Because of competition and duplication, the selling costs of the separate companies were half as high again as those of the combination, and the advertising expenses were more than twice as high. The successor companies made less profit on a larger volume of sales than the combination had made on a smaller volume. After dissolution there was little change in prices to jobbers or consumers, which, taken in conjunction with the excellent profits prevailing, indicated that there was little price competition after the "trust" was broken down. As compared with both the combination and its successor companies, the manufacturing and selling costs of the old independents were extremely high and their profits low.

The combination, in addition to the "fighting brands" known to belong to it, acquired other companies, ostensibly independent, to serve its purposes. The brands of these companies could be sold, at "fighting" prices, to those who demanded a product "not made by the trust," or made by union labor (which latter the combination as such refused to recognize). Dealers were often practically compelled by the combination to refuse to handle competing brands; dealers had to have the popular brands of the combination since without them they could not sell the independent brands, or not to advantage.

The dissolution of the combination into seven principal companies involved a veritable "unscrambling of the eggs," in which the control of voting stock of twenty-nine individuals was reduced from 56 per cent in the combination to 35 per cent in the successor companies.

References for further reading will be found at the end of Chapter 28.

Chapter 28

Attempts to Preserve Competition

IN THE PAGES WHICH FOLLOW we shall review briefly the interpretation of the Sherman Anti-Trust Act by the Supreme Court from the sugar-trust case (1895) to the Standard Oil and American Tobacco cases (1911). We shall see that the Court was more and more lenient toward business combination as the years passed. This was because the justices realized that consolidation was compelled by the increasing scale of business and in many ways was serviceable to the economy. Back of the altering decisions of black-robed judges, sitting in their quiet court-room or searching the precedents in old law books, we must see the changes that were taking place in American industry and commerce. The parts of the country were ever more closely bound together physically by railroad, telegraph, and telephone. This expanded the size of markets, the opportunity and scope of business enterprise. Depression and uncertainty over the value of the national money were nearing an end. America was launched, in the Spanish-American War, as a world power. Improvements in machinery, with growing application of electricity, were inviting mass production.

Competition, however salutary when industry had been carried on in small shops and commerce had been confined to limited markets, was irksome to owners of huge plants reaching out to supply national, even international, demand. The would-be destroyers of competition were selfish, often ruthless, but their greed had an undoubted justification in public utility. By combining and eliminating small competitors they could furnish standardized products of superior quality and at lower prices. By no means always did they choose to give the public the benefit of technical efficiency made possible when control supplanted competition. Legislatures and courts recognized, little by little, that the cure for exploitation did not lie in thwarting a combination which, in itself, was capable of proving useful to the country's progress. So the courts came to say that what the law condemned was not the obtaining of

vast economic power, but its abuse. The interpreters of anti-trust statutes have repeatedly lapsed from this doctrine, only to be compelled to return to it.

We shall see that in the opening case, that of the Sugar Trust, presented as a combination in restraint of trade, the Supreme Court was not aware of the purposes of monopoly, or at least made an artificial distinction between the manufacture of goods and their sale. Industry was in the power of individual states where plants were located. Only interstate commerce fell within the authority of Congress. If monopoly in interstate sale of a product was only incidental to monopoly of ownership of manufacturing plants, then the anti-trust law could not be invoked.

Within three years the Court condemned combinations of railroads, which were clearly interstate commerce, the majority holding that all such restraints of trade were opposed to the Sherman Act, whether moderate and reasonable, or extreme and oppressive. The minority of the Court felt that "reasonable" restraints of trade were wise and allowable. Next, in the case of a pool of cast-iron pipe manufacturers, the Court broadened its definition of commerce, over which the national government had control, so as practically to include production. Thus, the old separation between production and sale, which was being closed in monopoly practice, was closing in judicial decisions also.

Combinations had already been forced to abandon the trust form, but New Jersey had opened to them the holding-company device. Now the Supreme Court disallowed this also. Combination was hardly checked, however, but promptly resorted to frank merger of ownership. Thus taught, by the time the Court pronounced on the Standard Oil and American Tobacco monopolies, the majority of the justices had come round to the view that the "rule of reason" ought to govern in application of the Sherman Anti-Trust Act. A degree of combination, which might be in the public interest and not abusive of monopoly power, was permissible.

Thus, the persistent efforts of business men, corporation lawyers, and legislators to hit upon ways that would give play to large-scale enterprise slowly received a measure of approval of the highest interpreters of the law. One needs to read the testimony before the Industrial Commission (1898–1902) and similar evidence to understand the hurly-burly of the combination movement in these years, its alternate stealth and stridence, the ruin and reform which it worked. What we can do here, by way of epitome, is to see how the storm broke in surf on the

shore of the Supreme Court, and gradually wore it back. So we go on now to more detailed review of chief decisions.

Anti-monopoly prosecution under the Sherman Act started off unprosperously in 1895 with the E. C. Knight (sugar-trust) case. The American Sugar Refining Company, chartered in New Jersey in 1891, was the successor of another corporation which had been declared illegal by the New York courts as in restraint of trade. The American Sugar Refining Company, before and after the suit of 1895, for twenty years had a consistent history of consolidation to kill competition; it resorted to buying and dismantling even uncompleted plants, and sold its sugar below cost to destroy weaker rivals. By 1892 the trust had bought all the refineries in the United States except a small one in Boston; its final sweep brought in four refineries in Philadelphia, which gave it 98 per cent of the capacity of the country.

The government suit to annul these contracts and to compel the American Sugar Refining Company to restore independence to the Philadelphia enterprises was dismissed in two lower federal courts on the ground that the Sherman Act, pertaining to commerce between the states, did not reach to manufacture within a state, Pennsylvania. The Supreme Court took the same view. It has been contended that the Attorney-General presented the case unskillfully, failing to prove that the manufacturing monopoly would act as a restraint upon interstate commerce. Thus, it has been said that the narrow interpretation given to the Sherman Act in this first case was not the choice of the Court. Such an excuse for the Court, however, if one may use that term, is mistaken, as the majority and dissenting opinions abundantly show.

The Court declared that the admitted monopoly in the refining of sugar, so far as the acquisition of the Pennsylvania plants was concerned, was within a state, fell under the police power of the state, and did not affect interstate commerce directly enough to justify interference of the federal authority. The Court declared:

> Doubtless the power to control the manufacture of a given thing involves in a certain sense the control of its disposition, but this is a secondary and not the primary sense. . . . Commerce succeeds to manufacture, and is not a part of it.

The Court was scrupulously careful not to invade the power of the state over internal concerns, where manufacture was judged to lie.

> It is vital that the independence of the commercial power [national] and of the police power [state], and the delimitation between them, however

> sometimes perplexing, should always be recognized and observed, for while the one furnishes the strongest bond of union, the other is essential to the preservation of the autonomy of the States as required by our dual form of government. . . . The regulation of commerce applies to the subjects of commerce and not to matters of internal police. . . . The fact that an article is manufactured for export to another State does not of itself make it an article of interstate commerce, and the intent of the manufacturer does not determine the time when the . . . product passes from the control of the State and belongs to commerce.

The states were then much more autonomous than, by force of circumstances, they have since become, and the decision of the Supreme Court in this Knight case was for a while longer to dam back the tide of national action.

This protection of state authority, however, was to give industrial combinations a free hand for the next fifteen years, which had only the effect of increasing federal control when the necessity of it was later acknowledged. Those intending to monopolize industry, of course for the purpose of monopolizing commerce, rightly took, from the words of the Court in the Knight case, that they had immunity from the threat of the Sherman law. The following is so explicit as to amount almost to a promise to them:

> Contracts, combinations, or conspiracies to control domestic enterprise in manufacture, agriculture, mining, production in all its forms, or to raise or lower prices or wages, might unquestionably tend to restrain external as well as domestic trade, but the restraint would be an indirect result, however inevitable and whatever its extent, and such result would not necessarily determine the object of the contract, combination, or conspiracy.

More could be quoted to the same effect.

Error of the Sugar-Trust Decision

Justice Harlan, in a prophetic dissent, showed the mischief of such ostrich tactics by the federal authority. National control should be used over the mammoth combinations which were forming to run up prices of the necessities of life of the people of all states. He thought it sufficiently proved that the monopoly was engaged in interstate commerce, and went on:

> If this combination [sugar trust] so far as its operations necessarily . . . affect interstate commerce, cannot be restrained or suppressed under some

> power granted to Congress, it will be cause for regret that the patriotic statesmen who framed the Constitution did not foresee the necessity of investing the national government with power to deal with gigantic monopolies holding in their grasp, and injuriously controlling in their own interest, the entire trade *among the States* in food products that are essential to the comfort of every household in the land.

For the good of the states as well as of the nation the powers of Congress should not be confined "to an interpretation so rigid, technical, and narrow" as the majority of the Court was contending for. He quoted Chief Justice Marshall's condemnation of "that narrow construction, which would cripple the government, and render it unequal to the objects for which it is declared to be instituted. . . ."

Justice Harlan's dissent proved a more accurate guess as to the developments which were coming in American economic life than was the opinion of the majority with its artificial distinction between manufacture and commerce. He saw, as indeed his brothers on the bench must have seen, that manufacture and commerce, on the new scale of operation of the trusts, were integral, and he insisted that the economic fact should be carried over into constitutional interpretation. He saw that the states were powerless to control the monopolizing combinations, and that if the national government was to be paralyzed too, all would fall victim to private greed. Consolidations were quick to take advantage of his observation:

> While the opinion of the Court in this case does not declare the [Sherman] Act of 1890 to be unconstitutional, it defeats the main object for which it was passed. . . . Why, it is conceded that the object of this combination was to obtain control of the business of making and selling refined sugar throughout the entire country. Those interested in its operations will be satisfied with nothing less than to have the whole population of America pay tribute to them.

Soon after the Court, in the Knight case, invited industrial combinations forward, returning prosperity furnished them a means where they had never lacked a motive. The depression had worn itself out, the gold standard had been assured by Bryan's defeat in 1896, and promptly the Klondike gold fields and the war with Spain brought rising prices and floods of orders public and private. While twoscore important combinations had been formed in the spurt of 1889–92, with some half-billion dollars of capitalization, the real monopoly movement began with 1898. It continued, but had passed its peak by 1902. In these

years nearly one hundred and seventy combinations of national consequence were formed, with total capitalization of almost $5,000,000,000. In 1899 alone more combinations were formed, with larger capitalization, than in the preceding decade. Not all of these consolidations (with a few important exceptions they used the trust form) were national monopolies. Yet the names American Tin Plate Company (1898), Continental Tobacco (1898), Standard Oil of New Jersey (1899), United Shoe Machinery (1899), National Tube (1899), American Snuff (1900), United States Steel (1901), American Can (1901), International Harvester (1902), indicate the heavy caliber of many of them.

If the sugar trust, which was judged to be a manufacturing combination with commercial objects incidental, escaped censure of the Supreme Court in the Knight case, agreements between railroads to restrict competition were soon condemned, in the Trans-Missouri Freight Association case (1897) and the Joint Traffic Association case (1898). The main point of these two decisions, the facts being quite similar, was that the Sherman Act condemned *every* contract in restraint of interstate commerce and made no allowance for "reasonable" restraints. These decisions also brought railroads under the terms of the Sherman law, since the Court rejected the contention that their doings were to be governed exclusively by the Interstate Commerce Act of 1887.

The Trans-Missouri Freight Association was formed by fifteen theretofore competing railroads to establish rates and regulations in the region south and west of the Missouri River. Each road was represented by one member in a monthly conference; any road departing from the rules agreed upon, unless to meet outside competition or upon written notice of its non-adherence, was subject to a fine.

Were Some Restraints to be Allowed?

Four justices dissented from the opinion of the five that the railroads must desist from such agreement and association. The minority opinion was written by Justice White, and is of special interest because after some years it became the view of the majority of the Court. The principal contention of the dissenters was that neither the common law nor the Sherman Act condemned all restraints of trade, but only those which could be called "unreasonable." Here was the entering wedge for judicial toleration of practices of combinations which seemed to be recommended by corporate economy and public convenience.

The Joint Traffic case, by a five to three decision, held illegal under

the Sherman Act an agreement of thirty-one railroads to fix rates between Chicago and the Atlantic Coast. It was urged by counsel for the railroads that they were compelled by the nature of their business to combine to control rates, else they would be compelled to carry on destructive competition with each other which would result in the death or buying-up of the weaker roads and in the end the abolition of competition by this far more wasteful method. In other words, railroads belong to the class which we call "natural monopolies." We have since recognized this by subjecting their rates and services to regulation far beyond what was imposed by the Interstate Commerce Commission at the time of this case (1898). Every effort was again made by lawyers and the minority of the Court to have a distinction drawn between proper and improper restraint of trade. The majority of the Court made some concession to this view, more than in the Trans-Missouri case, but not nearly enough to satisfy protestants. The Court held that competition was the publicly beneficial regulator of trade and must not be stifled by agreement even though in the absence of such agreement competition should result in the destruction of all but the strongest rival.

The cast-iron pipe pool case (Addyston Pipe and Steel Company), in 1899, showed that the Supreme Court would enforce the Sherman Act against an industrial combination if its direct and not merely incidental effect was to restrain commerce between the states, even though it were formed between manufacturing companies. This decision, if it did not take away the immunity which industrial combinations believed they enjoyed under the Knight ruling, seriously lessened it. Six pipe foundries in Ohio, Kentucky, Tennessee, and Alabama formed the pool in 1894, to last for two years. The purpose was to raise prices by eliminating competition. The country was divided into "reserve cities," "pay territory," and "free territory." Reserve cities were those where orders were to be filled only by companies located in or very near them. Pay territory was that in which the associated companies had a semi-monopoly because they possessed two thirds of the productive capacity and were protected against outside competition by the high freight rates on bulky and heavy pipe shipped in by distant foundries. Free territory was that in which the associated companies met active competition and had no means of controlling prices.

The device in pay territory, which formed the chief charge of illegality, was one of collusive bidding. The price at which the lowest bid was to be submitted was fixed by the association, and one of the companies was assigned to make the bid, this company paying into the pool a

"bonus" for the privilege. The sum of these bonuses was afterward distributed among the members of the combination in accordance with their productive capacities. Secrecy was observed, and ample testimony showed how the companies involved took pains to give the appearance of competitive bidding while all the time prices were kept up by agreement. Evidence showed that sometimes the prices thus secured were fully a third higher than they would have been had competition prevailed.

The pool contended that it was a legitimate protection of its members against ruinous competition. The member foundries had large fixed expenses; the desire of each to prevent shut-downs drove it, in the absence of the agreement, to cut-throat bids. The arrangement, in motive and many of its aspects, was similar to what the National Industrial Recovery Act approved thirty-five years later.

The Court decided that the Sherman Act, where interstate commerce was directly concerned, did not infringe on the constitutional right of the private citizen to make contracts for the disposal of his property. The citizen had no warrant to enter into a contract restraining a commerce which Congress, in its undoubted power, had said should be governed by competition.

Holding Company Banned in Railroad Case

The trust form of combination had been rendered illegal by the courts of New York in 1890 and of Ohio in 1892. The New York court ordered forfeiture of the charter of the North River Sugar Refining Company, one of the constituents of the Sugar Trust, because it was illegal for the corporation to enter into a partnership, especially when by so doing it divested itself of the vital elements of its franchise by placing them in trust with an irresponsible board. The decision did not go into the monopolistic features of the combination which the New York company had entered. However, the Ohio Supreme Court, in the case against the Standard Oil Company of Ohio, not only condemned the company for unlawfully entering into a trust, but declared that the purpose of the trust, virtually to monopolize the production and sale of petroleum, was opposed to public policy. Both decisions rested on the common law, not on anti-monopoly statutes, but, at a time when many such statutes were being passed, most of the trusts took the warning and abandoned the trust form of combination.

Any notion that they were abandoning attempts to monopolize, however, was disappointed by their prompt acceptance of the invitation

held out to them by New Jersey to accept a charter, under her amended corporation law of 1889, as a holding company. The shift of legal form was easy, silent, swift, and if anything gave a tighter economic control than the discredited trust device had afforded. Under the New Jersey law, the directors of any company had permission to "purchase . . . the stock of any company or companies owning, mining, manufacturing, or producing materials, or other property necessary for their business, and issue stock to the amount of the value thereof in payment therefor." Obviously the thing to do was to incorporate in New Jersey and permit the holders of trust certificates to turn them in for certificates of stock in the new holding company. The trustees of the old company became the directors of the substitute one. When business revived after the depression which had begun in 1893, the new combinations, formed in greater number than ever before, were apt to use the holding-company device. The Standard Oil of New Jersey, a holding company formed in 1899, took the place of the less formal control of the oil monopoly properties which had intervened since the trust had been dissolved by the Ohio decision.

However, complacency over their success in evading the intent of law and in escaping popular fury was destroyed when the Supreme Court in 1904 condemned the holding company in the Northern Securities case. This was a body blow from the highest court at a time when the public was aroused against monopolies through Henry Demarest Lloyd's book, *Wealth Against Commonwealth,* and by the findings of the Industrial Commission, 1898–1902.

The Northern Securities Company, a New Jersey holding company, was chartered in 1901 as the final one of several efforts to unite control of the Northern Pacific and Great Northern Railways, whose lines ran parallel between Duluth and Seattle. This meant co-operation between James J. Hill and J. P. Morgan (Great Northern) and E. H. Harriman (Northern Pacific). The holding company proceeded to exchange its stock for three fourths of that of the Great Northern and nine tenths of that of the Northern Pacific. Attorneys for the holding company contended that the state of its incorporation permitted it to acquire the stocks of the two railroads, and if the national government proceeded against those railroads, it would be an unauthorized interference with the internal commerce of the states chartering them. To this the Court gave a firm answer:

> No State can, by merely creating a corporation, or in any other mode, project its authority into other States, and across the continent, so as to

> prevent Congress from exerting the power it possesses under the Constitution over interstate and international commerce. . . .

The Court continued in terms sweeping enough to make other than transportation combinations wonder whether they were not to be dissolved into their old atoms, for it was said:

> Every corporation created by a State is necessarily subject to the supreme law of the land [and] the Court may make any order necessary to bring about the dissolution or suppression of an illegal combination that restrains interstate commerce. . . . [No corporate scheme,] however skillfully such device may have been contrived, and no combination, by whomsoever formed, is beyond the reach of the supreme law of the land, if such device or combination . . . directly restrains commerce among the States. . . .

The dismay of American big business at the Northern Securities decision was unnecessary, as shown by the subsequent history of this very combination. The holding company was enjoined from voting the stock of the railroads and they from paying it dividends, but the result was simply that the Hill-Morgan interests got control of both roads. Thus community of interest and outright merger offered themselves as means of escaping the awkward blows of the judicial sword.

"Rule of Reason" Was Judicial Legislation

The celebrated "rule of reason" as permitting certain restraints of trade was announced by the Supreme Court in the Standard Oil and American Tobacco cases, decided within a fortnight of each other in May, 1911. The opinion of the Court in each case was written by Chief Justice White, and to each Justice Harlan entered a vigorous dissent so far as the "rule of reason" was concerned. The declaration that certain restraints are lawful forms a watershed in anti-monopoly decisions. Chief Justice White, representing the majority, used pages of muddy language and questionable logic to prove that the current conclusion was consistent both with the long interpretation of the common law and with the decisions in the Trans-Missouri Freight Association and the Joint Traffic Association cases of more than a dozen years previous. Most students have felt that the effort was unconvincing and ill advised. In the end the Court admitted, with poor grace, what it had gone to much pains to deny.

Justice Harlan reminded the Court that, in the Traffic Association

case, it had refused to accept the plea of counsel that Congress intended to strike down only such combinations as *unreasonably* restrained interstate commerce. The Court had said:

> When . . . the body of an act pronounces as illegal every contract or combination in restraint of trade, . . . no exception or limitation can be added without placing in the act that which has been omitted by Congress. . . . we are asked to read into the act *by way of judicial legislation an exception that is not placed there by the lawmaking branch of the Government*, and this is to be done upon the theory that the impolicy of such legislation is so clear that it cannot be supposed Congress intended the natural import of the language it used. This *we cannot and ought not to do*. . . . If the act ought to read, as contended for by defendants, *Congress is the body to amend it and not this court, by a process of judicial legislation wholly unjustifiable*.

The italics are Harlan's. He declared that the new willingness to apply a "standard of reason," a "rule of reason," to condemn only "undue" restraints in the "light of reason," and so on, "usurped the constitutional functions of the legislative branch" and might "well cause some alarm for the integrity of our institutions." The Court was now saying to those who opposed the anti-trust law, according to Justice Harlan, " 'You may *now* restrain . . . commerce, provided you are reasonable about it: only take care that the restraint is not undue.' " And later, dissenting from the opinion of the majority in the American Tobacco Company case, he remarked upon the fresh attempt to show that the rule of reason was a part of the earlier Trans-Missouri and Joint Traffic cases, and added, "This statement surprises me quite as much as would a statement that black was white or white was black."

Though the rule of reason was introduced in the Standard Oil and American Tobacco cases, these combinations were found guilty of violating the Sherman Anti-Trust Act and were ordered dissolved. Yet the rule of reason, a discretion claimed by the Court in applying the public policy laid down by Congress, was not *obiter dicta*, or just gratuitous observation in passing. This was because the decree in each case, directing what was to be done to make the combination lawful, had to allow, the Court judged, the continuance of restraint of trade in certain instances. Thus, while the Standard Oil Company of New Jersey was an unlawful combination and must be dissolved, the constituent companies might lawfully continue to combine for certain purposes. For example, it would be desirable for them to continue to give uniform control to pipe lines and tank cars, instead of severing these transportation systems into uncoordinated parts.

Wisdom of Leniency

Such practical considerations give a clue to the reversal by the Supreme Court of its old literal application of the Sherman Anti-Trust Act. We may not treat the rule of reason as a mere concoction of the judicial mind, unrelated to economic development. The fact is that since the decisions of fourteen and fifteen years before, business consolidation had persisted and grown. It had spread to new fields of industry and commerce, had, as said by the Court in the tobacco case, resorted to such "subtle devices . . . that it is difficult if not impossible to formulate a remedy which could restore in their entirety the prior lawful conditions." Under these circumstances, the cure of sudden and thoroughgoing dissolution might be worse for the public than the disease of monopoly.

It may be that the Court, in conformity with economic changes which it recognized, had grown beyond the earlier crude intent to condemn all combinations in restraint of trade. Two decades had passed since the Sherman law was enacted. Was it not possible that the many huge combinations, while their major restraints on interstate commerce must be put down, possessed certain utilities to match their ubiquity? Technology had advanced, making large-scale operation natural if not imperative. There had been political acquiescence in the admission that monopoly or near-monopoly might carry profit to the public as well as to promoters, might be genuinely economical rather than just predatory. President Theodore Roosevelt so wielded his "big stick" that it fell on "bad trusts" and missed "good trusts." Maybe the public, dependent upon the nationally integrated businesses, would be more hurt by the enforced disintegration of some of them than it could be helped by such a ruthless, blind policy. The opinion was gaining that mere size was not a crime; that mere possession of power was not to be condemned unless it was used, in fact, for exploitation of workers and consumers and oppression of competitors.

President Taft asked for additional anti-trust legislation, but got little from Congress. True, the Standard Oil and American Tobacco cases were the first to destroy the semi-security in which industrial combinations had rested since the Knight decision, for they proved that monopoly of manufacture, and not simply restraints upon commerce as such, would be held repugnant to the Sherman law. But even so, the Court was plainly embarrassed to know how practically to carry out its adverse decisions. The vehemence with which it declared both great corporations to be unlawful combinations was followed by faltering directions

for their breakup, prescribing treatment which proved ineffective. Economic America of 1911 was different from the resentful country which emerged from the depression of 1893.

So the rule of reason, while it took the form of a judicial statement, was the recitation of an economic lesson. The Supreme Court would have done better to admit itself wiser in the announcement of the rule of reason than it had been in the rigid, literal application of the anti-trust law in the traffic cases of the late nineties.

The introduction of the rule of reason as evidence of judicial tolerance toward certain combinations in restraint of trade has been dwelt upon at this length because it is an illustration of the impact of economic development upon the interpretation of law. This impact is generally belated and confused, but seems to be controlling.

To Break "Bottlenecks of Business"

The next concerted attack on business combination, in the work of the Temporary National Economic Committee, brings us to the recent past, for the Committee was created in June, 1938, and soon began extensive hearings. This "monopoly inquiry," as it was promptly called, was born in disillusionment with one policy and in an attempt to make another one work. The policy repented of was the price-raising and price-maintenance attempt of the National Recovery and Agricultural Adjustment Administrations. The policy which the inquiry was to bolster was that of producing full employment through the spending-lending program. This spending-lending, the government's effort to put money in the hands of consumers and thus give an impulse to the whole economic machine, had risen to a high point of over $4,000,000,000 in 1936, almost a fourth of which was from the cashing of veterans' bonuses. The improvement was so gratifying that many in Washington and out of it were convinced the pump had been primed and would henceforth operate of itself. The index of industrial production had nearly doubled since the depth of the depression, rising from 64 in 1932 to 116 in the last quarter of 1936, and the national income had climbed from $40,000,000,000 to $71,000,000,000.

Wholesale and retail prices were rising, and merchants bought in anticipation of further increases, though they soon had reason to wonder whether they could get rid of these great stocks to consumers. The President and his closest advisers were convinced that further ex-

traordinary government spending was not only unnecessary, but would prove disastrous. Business finance warned of inflation, and chorused against the mounting federal deficit. The President appeared to enter upon an "appeasement" of big business, holding conferences with public utility magnates and others. The net result was that emergency spending was drastically cut. The extra purchasing power contributed by the government fell from slightly more than $4,000,000,000 in 1936 to less than $1,000,000,000 in 1937. The President announced in the spring of 1937 that prices were too high, the reserve requirements of the Federal Reserve were raised twice, and the flow of funds from the government to consumers was partially reversed by Social Security payments to it.

There followed, beginning early in September, 1937 — whether or not as a consequence of this turn of the New Deal in favor of "sound finance" — the exceedingly sharp slump which continued for ten months. Nearly five million workers lost jobs, the index of industrial production fell from 116 to 75, the national income slowed down from a flow at the rate of $72,000,000,000 to a rate of $50,000,000,000, and wholesale prices lost all of their recent gains.

To check and overcome the decline the President urged, and Congress enacted in the summer of 1938, a speedy return to spending-lending. More than $2,000,000,000 were to be spent and over $1,000,000,000 lent in the next year. The index of production turned upward, soon a third of the workers unemployed in the slump had seeped back into jobs, and the stock market rallied.

When recent history could be surveyed, it was seen that during the recession prices of farm products had fallen most drastically, while prices of industrial products where business combination was important fell by less than the average, were maintained, or actually rose. So the advocates of spend-lend, again in favor, recommended an exposure of monopoly and a new attempt to destroy it, since monopoly kept prices in certain areas up when the general trend was downward, preventing the operation of economic forces on which the spend-lend program relied. It was particularly felt that these monopolists, instead of increasing supply to meet the new demand made possible by government disbursements, restricted their output and kept prices up. With heavy unemployment and unused plant facilities, the result of the government's putting money in the hands of consumers should not lead to inflation or a rise in prices, but to fuller production and more jobs. If it had failed to do so, it was mainly because of "administered" prices made

possible by industrial combination. These "bottlenecks" must be removed by intervention of government demanding restoration of competition, which would permit sound and lasting recovery.

Monopoly and Depression

President Roosevelt, in calling for the inquiry, set forth startling facts about the concentration of control in American industry and finance, and went on to say:

> Private enterprise is ceasing to be free enterprise and is becoming a cluster of private collectivisms; masking itself as a system of free enterprise after the American model, it is in fact becoming a concealed cartel system after the European model. . . . One of the primary causes of our present difficulties lies in the disappearance of price competition in many industrial fields, particularly in basic manufacture where concentrated economic power is most evident and where rigid prices and fluctuating payrolls are general. Managed industrial prices mean fewer jobs. It is no accident that in industries like cement and steel, where prices have remained firm in the face of a falling demand, payrolls have shrunk as much as 40 and 50 per cent in recent months. . . . When prices are privately managed at levels above those which would be determined by free competition, everybody pays. . . . Even the Government itself is unable, in a large range of materials, to obtain competitive bids. It is repeatedly confronted with bids identical to the last cent. . . . If private enterprise left to its own devices becomes half-regimented and half-competitive, half-slave and half-free, as it is today, it obviously cannot adjust itself to meet the needs and the demands of the country.

And so he concluded by urging

> a program to preserve private enterprise for profit by keeping it free enough to be able to utilize all our resources of capital and labor at a profit. It is a program whose basic purpose is to stop the progress of collectivism in business and turn business back to the democratic competitive order. It is a program whose basic thesis is not that the system of free private enterprise for profit has failed in this generation, but that it has not yet been tried.

Three economists opened the inquiry with a statement of the background. Isador Lubin, commissioner of labor statistics, estimated the national loss during the depression of the thirties (1930–38). If business had been maintained at the 1929 high level, there would have been 43,000,000 more man-years of work in non-agricultural occupations,

and corresponding to this extra work, $119,000,000,000 in wages and $20,000,000,000 in dividends. The farm income lost was $39,000,000,000. Making no allowances for fallen prices, the total loss in national income amounted to $230,000,000,000, and even after adjustment it was $133,000,000,000. He went on to show that only 2.7 per cent of families had incomes of $5000 or more, while 54 per cent had incomes of $1250 a year or less. If the income of families receiving less than $2500 (87 per cent of the whole) were increased even moderately, the surplus capacity of the country could be put to work. This was supposing output expanded to meet demand. But Willard Thorp, of the Department of Commerce, proceeded to show the concentrations of economic power which, as was later brought out, were preventing full employment and a rising standard of living for the country. One hundred and ninety-five largest firms, employing 10,000 or more workers each, had over 12 per cent of all the workers, 50 per cent of firms had only 4 per cent of workers; firms employing over 250 persons — though they were only 1 per cent of the total number of employers — had half the employees. Relative assets furnish another measure of concentration of economic power. Thus, 780 large firms, only two tenths of one per cent of all corporations, held 62 per cent of total assets of all corporations. On the other hand, 55 per cent of firms, with assets under $50,000 each had less than one and one half per cent of total corporate assets. Huge corporations were dominant in transportation and other public utilities, finance, manufacturing, and mining. Often this domination was not by a single great corporation, but by a cluster of corporations; the picture was not one of monopoly, but of "oligopoly."

Nostalgia for Vanished Competition

Leon Henderson, the secretary of the committee, laid down the assumptions of a competitive economy and showed how these were contradicted by the concentration of control. He observed that there is a

> clash constantly between the American drive for efficiency and the American necessity for full employment, and somewhere in there the competitive spirit has lost its drive to make the adjustment. . . . The market [before competing units began to coalesce into combination] was expected to be a pretty ruthless kind of thing, and it was never possible to think in terms of real competition and 11,000,000 unemployed at the same time. . . . Any time that you have got a condition of high unemployment or failure to

> use your resources, it is very evident that the old assumptions of the competitive system are not at work.

In the body of testimony, concentration of control of life insurance companies, among the most important agencies in the supply of investment funds, was emphasized. Out of more than three hundred legal reserve companies, the twenty-five largest owned 87 per cent of all the assets, sixteen of the twenty-five owned 80 per cent of all assets, and the five largest owned 54 per cent. One company had assets of $5,000,000,000, and each of five others had over $1,000,000,000. The companies possessing this great reservoir of funds for investment were geographically localized in New York and New England. The degree of dependence of the Amercan economy on life insurance investment is indicated by the fact that the fifty largest companies held from a tenth to a fifth of the public debt, of railroad bonds and public utility and industrial debt, and of farm and city mortgages.

It was shown that in some industries the ownership of patents permitted restriction of output and maintenance of prices. The Federal Trade Commission declared its purpose that free, open, fair competition be fostered and protected and that the laws against monopoly should be strengthened. As evidence that existing legislation had not been adequate, the Commission described some forty-five practices destroying the natural effects of competition, mostly through control over prices. It was urged that the Clayton Act be amended to forbid the acquisition by corporations of the *assets* of other corporations as well as the acquisition of the capital stock, which was already made illegal. That is, the new danger was not from the holding company, as supposed when the Clayton Act was passed, but from the merger. It was complained that the Department of Justice found it difficult to proceed effectively against combinations in restraint of trade under the weak civil remedies available in the Sherman and Clayton Acts, and criminal enforcement did not serve much better. The reason was that business men bringing about consolidations do not regard themselves and are not regarded by the public as criminals. Hence the Temporary National Economic Committee, in a preliminary recommendation, urged that the fines against corporations and their officers found guilty of "tort against the national economy" should be made much higher.

Some concluding general observations of the committee showed the substantial failure of legislation and prosecution of combinations in restraint of trade. They amounted to a confession, after fifty years, that economic forces making for concentration had been more than a match

for legal and administrative efforts at preserving competition. Said the committee:

> The tendency toward the concentration of control of the economic system in fewer and fewer business executives seems proved. The consequence of that tendency is a steadily lessening number of competitors. It has been the traditional conviction of the people of the United States that the opportunity of the citizen to engage in business should not be restricted. . . . It is clear, however, that the financial and other resources required for economic endeavor are becoming increasingly difficult for the ordinary enterpriser to obtain and that concentration of economic power and wealth is accompanied by increasing unemployment and narrowing markets.

So the committee pledged itself to continue searching for a solution.

President Roosevelt himself, in launching the inquiry, named three courses open to the country in the face of disappearing competition. One was to permit industrial and financial consolidation of control to proceed, with resulting domination over government. This was clearly ineligible. The second, he implied, was to substitute government domination of economic life for domination by private monopolizers, since "big-business collectivism . . . compels an ultimate collectivism in government." But, believing in the benefits of private initiative and private risk-taking, he was unwilling to look forward to this solution. He preferred the middle course of a qualified competition maintained by government. Combination, he inferred, would be permitted in the interest of efficiency up to the point where the advantage would be counterbalanced by damage to individual opportunity. Also government would interfere with competitive processes at many points. Government would prescribe minimum wages and hours, lift agricultural prices, or even convert to public ownership "chronically sick industries which have deteriorated too far for natural revival." "But generally," he said, "over the field of industry and finance we must revive and strengthen competition if we wish to preserve and make workable our traditional system of free private enterprise."

The student who has followed the story of economic concentration in America in spite of efforts to break it up, and who knows something of similar experience in other industrial countries, will choose for himself whether government ownership and management of socially necessary enterprises or government maintenance of a quasi-competition is to be preferred. The latter will be tried first. Your authors guess that in the next years the tendency will be, however, for government to occupy a larger and larger rôle in economic life in America as elsewhere in the

world. There are many reasons for this belief. The chief one is that private ownership, subject to the forces which resolve competition into combination, contributes to disastrous economic instability, stultifying us with the situation of idle resources and workers while millions are threatened with starvation and homelessness. Democracy is impossible in the face of continuing insecurity. Security, full employment of the nation's resources, and a rising standard of living, it may turn out, can be best achieved by giving the management of the basis of economic life to a government responsible to all the people.

The opening of the Second World War offered an impressive comment on the Temporary National Economic Committee. The inquiry was designed to be preliminary to a government drive to revive and support competition in American business. It proved to be just the reverse, for its reports were not fully published before the government was encouraging concentration in industry by giving the bulk of war contracts to a comparatively small number of giant corporations. The Smaller War Plants Corporation had to be set up to provide a semblance of opportunity to little business, but its efforts were disappointing. The very economists who had been so loudly deploring administered prices hastily left the staff of the committee to take important posts as government price administrators!

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Chapter 29

Railroads, Public Land Policies, and Grangers

THE PRAIRIE AND PLAINS STATES were occupied in earnest in the period following the Civil War. No matter what the public land policy, railroads through the region west of the Missouri River were necessary to settlement on a large scale. A railroad to the Pacific was first advocated thirty years before it was undertaken, almost as soon as the "iron horse" began to be used in America.[1] Asa Whitney, a New York merchant, in the middle eighteen-forties became the ardent propagandist for a railroad running from the Great Lakes or Mississippi to the West Coast, to be financed from sales of public land along the line, granted for the purpose. He suggested several routes, each of which came to have its partisans, the whole discussion being quickened by the gold rush to California after 1849. Northern opinion was divided between the Puget Sound area as the terminus and a central route to San Francisco, while Southerners, equally alive to political potentialities of the great work, urged the longer but easier way through Texas to San Diego. Preliminary government surveys of the three possibilities served to make debate more heated. By the time representatives of seceding southern states left Congress, the emigrant wagon trains and Wells Fargo stages had established the central route as the quickest, from the Missouri River by the South Pass of the Rockies to Salt Lake and on by the Humboldt and Truckee Valleys to Sacramento. This was the route chosen in the Act of Congress of 1862 authorizing a transcontinental railroad, the line to run from Omaha as the eastern terminus to Sacramento as the western. The Union Pacific was to build westward across the plains, and the Central Pacific eastward over the Sierra Nevada Mountains to join it.

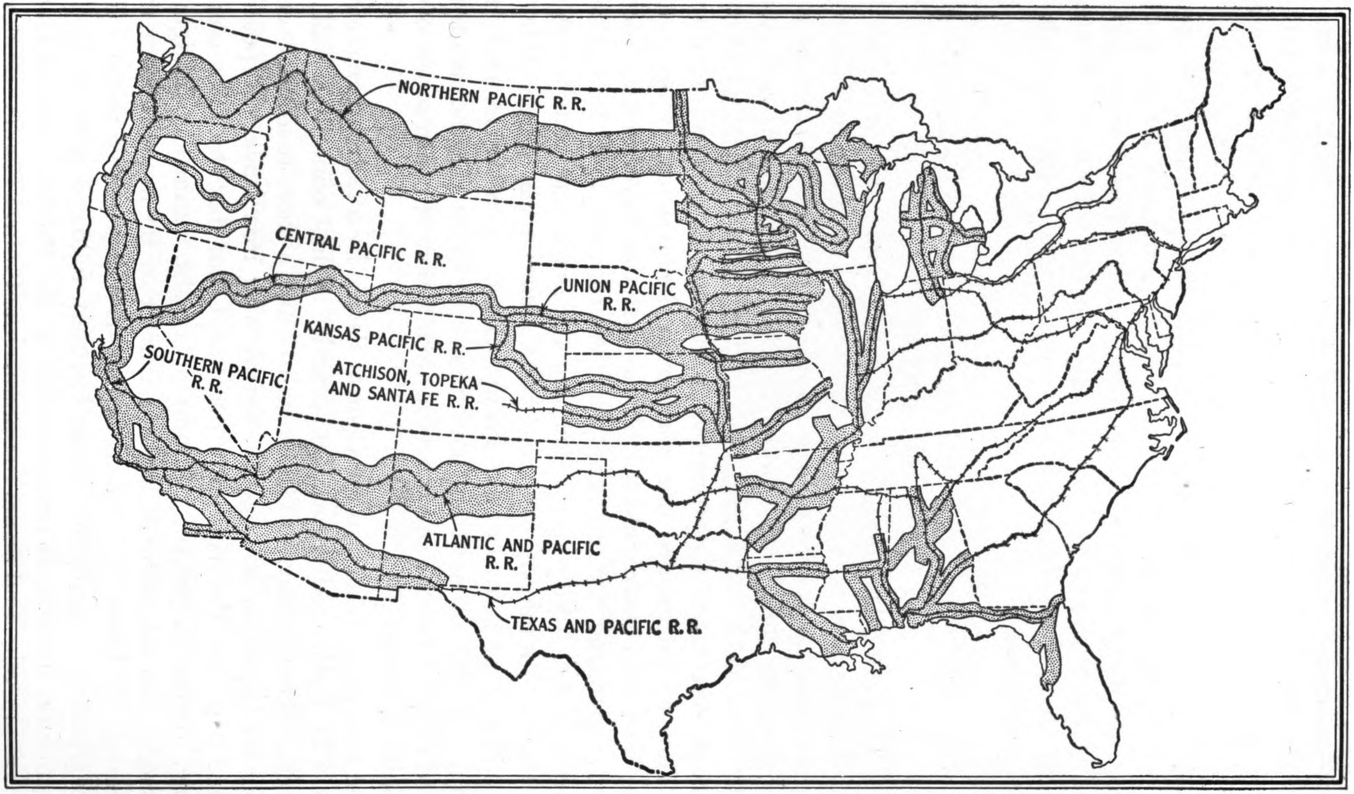
[1] Indeed, Robert Mills, the celebrated South Carolina architect and engineer, as early as 1819 had proposed to Congress transcontinental transportation from Charleston to the Pacific at the mouth of the Columbia (Astoria, Oregon) by means of rivers and canals.

The Civil War made the project a national necessity to bind the riches and growing population of the Pacific slope to the loyal government.

With passage of the law there were celebrations all along the designated route. "Transparencies" carried in the San Francisco procession had the legends, "The Locomotive — His prow is wet with the surge and foam of either ocean; his breast is grim with the sands of the desert," and "Chesapeake Bay Oysters — six days from the water."

The law had not been obtained without the lusty lobbying in Washington of prospective builders of the two railroads — especially Oakes Ames, a New England shovel manufacturer and member of Congress, for the Union Pacific, and Collis P. Huntington, Sacramento hardware dealer and leader of the California "Big Four," for the Central Pacific. The prize in each case was to be huge profit from donated government lands and from construction with the aid of government bonds issued for the roads against mortgages. Both roads were built primarily with public subsidies of land, credit, and cash, more than a billion dollars all told. Thomas Hart Benton, the inveterate advocate of western development, had urged that the line be frankly constructed and owned by government, and then leased to private interests for operation; but Stephen A. Douglas, himself deep in railroad town-site speculation, had won the majority to his view that the enterprise should be "private" with inevitable government support. Public land grants and bond issues were already a familiar method from the canal era, and had become confirmed in railroad-building, especially in the West. The Homestead Act clinched the argument, for who better could promote actual settlement of farmers than the railroad companies who transported and served them? The Union Pacific was granted 12,000,000 acres, in alternate sections ten miles deep, and $27,000,000 in federal bonds to be repaid in thirty years at 6 per cent interest. The Central Pacific received 9,000,000 acres and $24,000,000 in bonds. These subsidies were in proportion to the miles of line built by each road, and varied with the character of the terrain. The land grants amounted to an area the size of the State of Indiana. Soon other land grants for a road along the Canadian border (Northern Pacific, 47,000,000 acres) and another along the Mexican border (Texas and Pacific, 18,000,000 acres) helped to swell the total of donated public domain to more than 158,000,000 acres.

Leaders of the transcontinental railroads put in some of their own money, in the case of the Central Pacific much of this being used for promotion (bribery) in Congress; the Union Pacific improved on this



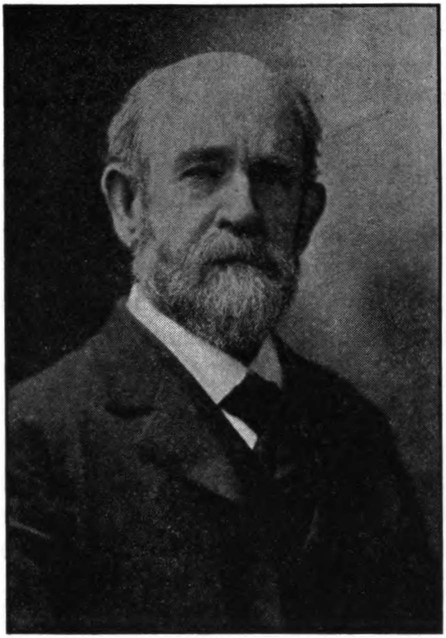
FEDERAL LAND GRANTS FOR TRANSPORTATION, 1823–71

wasteful device by persuading national legislators with what were in effect public funds; mostly, however, they relied on public subvention. Not only so, but the railroad insiders organized themselves as construction companies to build the lines, and so voted themselves contracts at double cost. Furthermore, as land companies which disposed of farms, town sites, timber and mining rights and harbor frontages, the promoters made unknown extra gains. The relaxed morals of business and public officials in the war and post-war period was nowhere more glaringly illustrated than in the financing and construction of the first rails to span the continent.

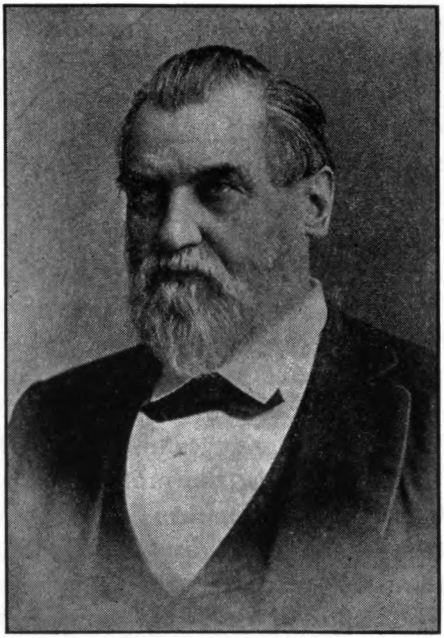
California Promoters

The "Big Four" California magnates who undertook to carry the Central Pacific eastward through the snow-filled Sierras were Huntington and his hardware partner, Mark Hopkins, and Leland Stanford and another drygoods merchant, Charles Crocker. This quartet had come out from New York in the gold rush, and had formed themselves into the "Pacific Associates" for profitable promotion in any promising direction. They complemented one another in their talents. Huntington was the bold and unscrupulous lobbyist, material buyer and financial manager, operating for the group in Washington and New York. Hopkins was the "inside man," keeping the books and consciences of his colleagues. Stanford as governor of California was amply able to apply political pressure on the Pacific Coast. Crocker exerted his masterful physical strength and enthusiasm to drive the thousands of imported Chinese coolies and others to their labors of construction over the mountain heights.

These four were enlisted in the Central Pacific by a railroad engineer, Theodore D. Judah. After successful practice in the Connecticut Valley, Judah had recently come to California to build a short road, and soon fastened his hopes on scaling the Sierras with iron track. Repeated surveying trips into the mountains persuaded him that the thing could be done, despite a seven-thousand-foot height, tunneling, bridging, snow sheds, and all material and equipment to be brought from the East around the Horn, if government lent its indispensable might. He sent congressmen a pamphlet giving his plan, followed it up by going to Washington in 1859 as representative of the Pacific Railroad Convention of that year, and began to organize the Central Pacific. Following one of his meetings in 1860, he stirred Huntington, Stanford, and



HENRY GEORGE



LELAND STANFORD

Crocker to toil with him to his pass and look eastward into Nevada. The three were convinced. Even if the line did not join another to stretch across the continent, the heavy freight and passenger traffic between the coast and the newly opened mines of Carson City and Virginia City would yield a fortune. Mules were then carrying daily one hundred and twenty tons of goods, much of it silver, at an annual profit of $5,000,000, not to speak of lucrative passenger business. What an invitation to a railroad!

Judah died of typhoid contracted on the Isthmus of Panama before his dream was more than beginning to be realized. But his hardy converts sprang to the opportunity, pooled their resources of $200,000, and sent Huntington to the Capitol in Washington, whence he soon returned with money gone from his valise but a charter for the railroad in his pocket. Federal land and money waited to be claimed as construction proceeded, and they got funds to start by levying on California cities and towns which would be made prosperous if the project succeeded. Public bond and stock subscriptions and private investments were wheedled and bullied from San Francisco, Sacramento, Stockton, and from counties and smaller places along the way. San Francisco

voted $400,000 of stock; Sacramento, $300,000; Placer County, $250,-000; the State of California, $5,500,000 of bonds. Leland Stanford was president of the road while governor of California, and with perfect conscience signed acts which gave the company $825,000 in public subscriptions. To be left off the line meant desolation to a town. This threat was freely used to dragoon the poorest communities. A little later, as an instance, the former pueblo of Los Angeles (its six thousand people largely Indians) bought a place on the Southern Pacific, a subsidiary of the Central Pacific, by voting stock and land amounting to one hundred dollars for every soul in the aspiring, frightened town.

Crédit Mobilier Scandal

Nobody knew the profits made by the Big Four under guise of the Contract and Finance Company which by main force, with no regret that haste made waste, threw the line over the Sierras. A pass two thousand feet lower could have been used if they had known or cared. The Central Pacific was in competition, mile by mile, for land and money with the Union Pacific laying track westward from Omaha. These operations did not escape later government censure, but those of the Crédit Mobilier,[1] the construction company of the Union Pacific, were

[1] The name was copied from that of a French company, founded a few years earlier, for financing military and large construction undertakings. At the time Crédit Mobilier stock was being spread around in the House, the amenability of senators to persuasion seems to have been generally understood, if we may credit an anecdote. David Loth (*Public Plunder*) says that "one obscure but talented lobbyist made a comfortable living selling votes in the Upper House, where he knew no one. This canny fellow offered the support of any Senator to any measure. He asked only $500, payable after delivery of the vote. Opponents of the bill received a similar offer. The lobbyist collected no matter how the Senator voted, and even if he abstained, the ingenious faker billed each side $250 on the plea that the best he could do for his client was to persuade the Senator to absent himself."

Under Grant, there were scandals in the Post Office Department because of padded cost-plus contracts for new buildings. The "Whiskey Ring" in the Treasury benefited by conspiring with distillers for evasion of internal revenue taxes. The Secretary of the Navy was made a partner in a Philadelphia company which supplied the fleet, and in four years in office banked $320,000. The Secretary of War was impeached because he drew regular graft from the trading post at Fort Sill, his lawyers offering for him "the plea that a man in office is like a dead body at the bottom of a pond, 'he becomes buoyant by putrefaction and rises as he rots.' " Conviction was not had on this impeachment partly because of the reminder in the closing defense argument: "That the present Chief Magistrate has taken large gifts from his friends is a fact as well known as any other in the history of the country. He did it openly, without an attempt at concealment or denial. He not only received money and lands and houses and goods amounting in the aggregate to an enormous sum, but he conformed the policy of his administration to the interests and wishes of the donors. Nay, he did more than that; he appointed the men who brought him these gifts to the highest offices which he could bestow in return. Does anybody assert that General Grant was guilty of an impeachable crime . . . ?"

to stand in pitiless glare of congressional investigation in 1872–73. It was then revealed that Oakes Ames, leading Union Pacific promoter and a Representative from Massachusetts, and James Brooks of New York, Democratic floor leader, had distributed rich stock of the construction company to members of Congress "where it would do the most good," or, in words of the investigating committee, "with intent to influence the votes of such members." A future President, the Vice-President, the Speaker, three Senators, and a number of Congressmen were publicly accused, and did what they could to stand against the storm of criticism which swept the country. Little came of it immediately. President Grant was anything but alert to the political manipulations of big business and finance. But the furor of the Crédit Mobilier scandal woke the country's growing suspicion and resentment of the power of money magnates over lawmakers; it prepared the way for the *débâcle* of Jay Cooke's Northern Pacific and the panic of 1873, and gave ammunition to Grangers and their successors among western farmers.

The construction problems of the Union Pacific across Nebraska, Wyoming, and Utah were almost as taxing as those of the Central Pacific through the California mountains. Burning deserts and lengthening distance from the frontier of supplies took the place of snow-laden, fearful steeps. The track-layers of the Union Pacific were Americans, many of them recently discharged soldiers, and not the lower-paid and willing Chinese urged forward to Donner Pass by the roars of Crocker. Indians, with understandable resentment of what the iron line would mean for their hunting grounds, murdered workmen and derailed and burned trains, so that troops were posted to guard the construction gangs. The progress of the work was marked by the setting-up in prairie and desert of the temporary town ("hell on wheels") which fought and caroused and gambled its brief season in one spot, to repeat its history miles farther westward, leaving behind only some graves as evidence of too hard work and harder living.

As the two lines approached each other from east and west, the rivalry in laying the most track (sometimes eight miles a day each) became intense, the whole country following bulletins on the advance. The day of the prairie schooners, of the wagon freight lines with their thousands of oxen, of the passenger and mail stages with their resourceful drivers and adobe relay stations (three weeks and $325 fare from St. Joseph to San Francisco) was nearing its end, for when these rails were joined, others would follow north and south. The great day came at Promontory Point, near Ogden, Utah, May 10, 1869. Engines puffed in each other's

faces, company officials and Congressmen made speeches, and Orient and Occident looked on as the last spikes, of gold and silver, were driven. Though travelers from coast to coast might yet for a while find the locomotive halted by buffalo herds on the track, the saga of the Old Far West was sung. In two decades the frontier of Indian trader, trapper, rancher, Mormon saint, and mining-camp sinner would have measurably disappeared in the increasing physical union of halves of a continent.

"Kelly's Fireworks"

In the year 1851 one William Kelly left a puzzled group of family and friends in his home at Eddyville, Kentucky, and went into the deep woods with a few trusted workmen. He began bolting together sheets of iron into the form of a tea-kettle without the spout and four feet high, which he set in masonry. At intervals for five years he continued at this secret business, making seven different kettles. When he emerged, neighbors would shake their heads.

Kelly had been born in Pittsburgh in 1811, succeeded in the drygoods business, then bought ore lands and an old furnace at his wife's home in Kentucky, and began making wrought-iron sugar kettles which were much used thereabouts. Burning the excess carbon out of molten pig iron took quantities of charcoal. Kelly was worried because his fuel supply was running low. One day he noticed that in his "finery fire" the iron glowed white hot under the blast though it had no charcoal covering. This was against all the lore of the trade. Kelly could only conclude that the molten mass contained enough carbon to be self-fueling. Maybe he could make wrought iron from molten pig with air! His wife thought him unbalanced, and sent for the doctor to diagnose his ravings. Fortunately, the physician was enough of a chemist to credit Kelly's sanity. Kelly made kettles by the new process, but his customers thought they could not be good, and insisted on his using the old method. He gave in at his furnace, but continued his experiments where he would not be bothered.

The problem of making steel from pig iron is that of taking from and adding to elements of the crude metal under controlled conditions. The air blast through the molten pig burns out the carbon, leaving liquid iron, sulphur, and phosphorus. To make steel, the right amounts of manganese, silicon, and carbon must be put in. In 1856, Kelly heard that Henry Bessemer, an English engineer, had received a United States patent for the "boiling" process of decarbonizing iron. Kelly

promptly convinced the patent authorities that he had invented the method before Bessemer announced it to the British Association in 1856, and in 1857 Kelly was granted the United States patent and declared the originator. The panic of that year bankrupted Kelly. He found a sympathetic listener, however, in Daniel J. Morrell, of the Cambria Iron Works, at Johnstown, Pennsylvania, who invited him to perfect his patent there.

His eighth converter, a tilting one, though laughed at as "Kelly's Fireworks," because in the beginning he applied too strong a blast, for the first time made soft steel cheaply and in quantity. Steel under the Kelly patent was blown commercially in 1864 at the Wyandotte Iron Works near Detroit. Carbon and manganese had to be added by a method patented by Robert Mushet, which Kelly's backers controlled. In 1865, the celebrated ironmaster A. L. Holley, at Troy, New York, began making steel under the Bessemer patent. The conflict between claimants ended in combination, the company owning the Kelly process getting less than a third interest and Kelly himself a few hundred thousands as compared with the millions reaped by Sir Henry Bessemer.

Rise of the Steel Industry

The first makers of steel by the Kelly or Bessemer process met discouragements. They could not control accurately the quality of their product. Many railroad men considered that steel rails were so brittle as to be dangerous for use on the lines, though they might be employed in yards, where slow, heavy traffic rapidly wore out the iron rails. Skilled workers were hard to get. Pennsylvania, which was to become the great center of the industry, did not begin to make Bessemer steel until 1867, but thereafter converters were erected in East and West. In 1868, of 30,000 tons of steel made in America, little more than a fourth was Bessemer, but five years later, of 178,000 tons of steel, 140,000 were Bessemer, most of which was turned into rails.

The rise of the steel industry coincided with the great post-war spurt in railroad construction. In 1869, nearly 8000 miles of new road were built, and in the four years until the panic of 1873 checked the progress, 25,000 miles, which was an addition of 50 per cent to the country's total mileage. By this time the superiority of steel over iron rails was acknowledged. Our steel mills could not supply the demand, and much of the British investment in American railroads came to us in the form of steel rails, of which we imported almost half a million tons in 1870.

American production rapidly increased to 115,000 tons in 1873 and went right on growing during the depression. Steel rails could not displace iron suddenly, because of their cost, insufficient supply, and the fact that iron rails served well enough on remote, little-used lines. In 1873, as compared with seven mills rolling steel rails, fifty rolled only iron ones.

Increased production of steel of better quality was made possible by improvements in smelting — the more general use of coke, employment of the hot blast from furnace gases which almost doubled furnace temperatures to one thousand and twelve hundred degrees, and the enlargement of furnaces and their output. Experiments of steel-makers with hardening alloys such as chrome, improvements in rolling processes which speeded rail production and turned out sheets for locomotive boilers, and greater precision through machine tools all helped to demonstrate the superiority of steel to its rival, wrought iron, for railroad, structural, and many other uses. Andrew Carnegie, after a decade in the iron business, entered on steel production in 1873. The American Iron and Steel Association had been formed during the Civil War, and was now serving manufacturers in a variety of ways. We were launched in the iron and steel age, which government demands for munitions during the war had done much to encourage. In the five years following 1867 the per capita consumption of iron in this country more than doubled. Five hundred locomotives were built at the Baldwin Works, Philadelphia, in 1873; engines increased in weight and power, of which the sixty-ton engine employed on the Philadelphia and Reading in 1874 was the largest in the world.

Sleeping Car and Air Brake

George M. Pullman made his contribution to long-distance travel with the improved sleeping car. For twenty years, since 1836 when the Cumberland Valley Railroad of Pennsylvania offered sleeping acommodations on its line between Harrisburg and Chambersburg, there had been "bunk cars." These were day coaches with curtained shelves along one side, at first provided only with mattresses, later with linen which the passenger got for himself from a cupboard. During a sleepless night in one of these bunks, young Pullman, instead of counting sheep, considered how he might contrive a comfortable car for night travel. Born in Chautauqua County, New York, he had learned cabinet-making, and had later become a contractor in moving buildings along the Erie

Canal and in Chicago. In 1858, he remodeled two coaches for the Chicago and Alton to permit their conversion to sleeping cars at night. Features since familiar were seats that became lower berths, and upper berths which by day were lifted to the ceiling.

The success of adapted coaches encouraged Pullman, in 1864, to invest all his savings in a radically new sleeping car costing nearly twenty thousand dollars, four times as much as any car previously. This "Pioneer A" (even the inventor could not imagine the number of his sleeping cars would ever run beyond the alphabet) was longer, had more headroom than the old cramped coaches, and was so wide that it could not run on any road until station platforms were pushed back. Improved springs were augmented by cushioning blocks of rubber. The Pioneer A got advertisement when it was attached to Lincoln's funeral train; it soon bore Grant on a western trip; it went into regular service on the Alton; and promptly other roads wanted its sister cars. The Pullman shops advanced a step to the "hotel car" with a kitchen in one end, and soon to the dining car and chair car. In 1870, only a year after completion of the first transcontinental railroad, the first coast-to-coast train, all-Pullman, took members of the Boston Board of Trade to California. The sleeping and dining cars were universally demanded in the West, with its long-distance travel. In 1873, Pullman's cars were introduced into England, and the "boudoir" cars of another American inventor, Colonel W. D. Mann, began to capture the Continent of Europe. It was not long before the rococo decoration of "palace" cars was setting a pattern in the delights of bad taste.

George Westinghouse (1864–1914), with his air brake, perhaps did more than anyone else after Morse, with his telegraph, to improve the efficiency and scale of railroad operation. Before Westinghouse, individual brakes had to be set by hand on each car in response to a signal from the locomotive's whistle. This told against both speed and smoothness, and would never have been possible with the heavy trains put in service since. The son of a Schenectady agricultural implement manufacturer, young Westinghouse preferred the shop to college, and at twenty-one patented a rotary steam engine. For forty-eight years he took out patents at an average of almost one a month. An associate, Nikola Tesla, said of his contriving genius, "Had he been transferred to another planet with everything against him he would have worked out his salvation." His air brake was first patented the year the original transcontinental railroad was completed, 1869, and many subsequent improvements permitted the engineer to apply the brakes on the longest

train simultaneously, the brakes setting automatically if the train broke in two. In the early eighties he further contributed to the speed and safety of railroad traffic with his electric signal systems. Our high tension electric lines owe much to Westinghouse for his introduction of alternating current for power transmission.

Other railway improvements soon introduced were automatic couplers, which were adopted more slowly than one would think, considering the number of lives they saved, and the refrigerator car. Not until after 1900 did all-steel cars become common.

In this connection we may speak of Alexander Graham Bell (1847–1922), who contributed, in his telephone, an invention as important to industrial progress in the post-Civil War period as that of Morse, in the telegraph, had been before the war. Bell was born in Edinburgh, the son of a teacher of the deaf, who had devised the "visible speech" symbols. The family went to Canada in 1870. The son had become his father's assistant, immersed himself in the physics of sound, and had experimented in the application of acoustics to telegraphy with vibrating reeds attached to an electric wire. From 1874 he was working on the idea of the telephone on lines which finally proved successful. Joseph Henry helped Bell as he had helped Morse earlier. Friends of the deaf, especially the father of a deaf girl who was Bell's pupil, backed him financially. Gradually he progressed from transmitting sounds to conveying words and sentences. In 1876 he succeeded in sending the first intelligible message. His patent secured, he demonstrated his device at the Philadelphia Centennial Exposition. The next year the Bell Telephone Company was organized, after which progress was rapid. In 1915, Bell opened the first transcontinental telephone line, New York to San Francisco. His genius was versatile, for he encouraged early experiments with airplanes, and built a motor boat which exceeded seventy miles an hour. When he was buried at his summer home in Nova Scotia, every telephone on the North American continent was silent in his honor.

Free Homesteads

The Homestead Act was passed in 1862 after similar measures, increasingly advocated, had failed of enactment for fifteen years. Under the law settlers could have farms of one hundred and sixty acres from the public lands free if the individual lived on the homestead for five years. This was a triumph of the West, a sealing of bonds between North and West, an evidence of economic defeat of the South — estranged

from both other sections — before its military defeat. The slave states time and again had placed themselves squarely against the giving away of the public domain to settlers, because this would add to the population and the congressional representation of free labor states. The quarter-section allowed the homesteader was too small to attract the slave-owning planter, even though the Dred Scott decision gave him the right to take his human chattels into the territories where much of the available land lay.

The issue of free against slave labor was never more tangibly presented than by the debates on the successive homestead bills. In their course southern sentiment for free land for the actual settler, which had earlier claimed conspicuous leaders, all but disappeared. Northern opposition, based upon the belief that the public lands should yield immediate revenue to the government and upon the fear of losing population from the older states, changed to wholehearted, even passionate, support. The homestead was a weapon against slavery. An act had passed Congress in 1860, but President Buchanan, fearful of precipitating the controversy over slavery, immediately vetoed it, and not quite enough votes could be mustered to pass it over his timid negative.

In the same year, however, the Republican Party declared flatly for free homesteads, and the campaign issue thus hammered upon was thought to have been influential in securing Lincoln's election. With the proslavery men out of Congress, the party promptly redeemed its pledge. For the first twenty years after passage of the Homestead Act, most of the entrants under it were actual settlers, small farmers. Thereafter the commutation provision of this and later acts permitted consolidation of the small homestead parcels into large timber or ranch tracts. Commutation was the purchase of the land, after a short period of residence on it, at the small stipulated government price, without waiting to acquire title by five years' occupancy. As the profitable growing of wheat and other extensive crops moved into the prairies, the land rose in value. More was not to be had at government price except through use of the device of commutation. Many fraudulent entries were made by employees of corporations and others, and also many homesteaders found that with the proceeds of a single crop they could afford to pay for their land with money and resell to advantage.

We may take a backward glance from the Homestead Act of 1862, which was the most important single piece of public land legislation, to see the development of national policy. In colonial times, when settlement was the great object and supply of land was no question at

all, land could be had free through head-right and the nominal quit-rents. The Confederation, however, regarded public land as a source of revenue. The states were lax in paying their quotas, the central government was not allowed to levy customs or other taxes, and the public lands could be offered as security for loans. The need for revenue was so pressing that huge blocks of the public domain were sold to speculative land companies at much less than the price per acre charged small purchasers.

For the first thirty years of the new national government the idea of revenue remained dominant, and that of development of the country was secondary. However, the frontier — its people and those who wanted to move to it — constantly pressed for the right to apply labor to land. Gradually the cleavage in view of East and West was to become clearer. The older communities, judging from their environment, saw land as a pecuniary asset, a chief object of purchase and sale. The public domain belonged to all of the original states, and this asset should not be sacrificed for the local benefit of a few states which wanted the disposal of lands lying within their boundaries, or for the advantage of distant commonwealths which might some day be erected. Too easy access to independence in western farming would thin the population of the seaboard, diminish its productiveness, reduce its taxable assets, lower land values, and raise wages.

The frontier, on the other hand, knew that wild land at or beyond the edge of settlement had virtually no value aside from that given it by the dangers and labors endured by the pioneer. The land had no price, no rent, except what was arduously and slowly transferred to it by the rifle, axe, spade, and plow of the humble settler. Labor was the active and land the passive element in the creation of wealth. Moreover, asked the frontier, why should there be needy men while limitless idle land belonged to the government? In the history of seventy-five years the West won over the East. First came minor concessions, such as sale at the location instead of exclusively at the national capital, in small parcels and at a price ($2 an acre from 1796 to 1820) thought to be high enough to deter the speculator and low enough to attract the settler. Land could be bought on credit with no interest unless payments became delinquent. In 1820 the price was reduced to $1.25 minimum, and cash substituted for credit. The credit system had worked badly for government and purchasers, especially in hard times when markets for western produce failed; payment periods had had to be extended, and settlers due to be evicted banded together to defy the law.

Then came the succession of land grants as military bounties; as cessions to states to enable them to build roads, canals, and maintain schools; on an enormous scale as gifts to corporations constructing internal improvements, mainly railroads.

An act to distribute to the states the proceeds of sales of public land was passed in 1841, but was suspended the following year because of federal deficit and never again enforced, after small amounts had been awarded the states under it. The South opposed the distribution, fearing that it would increase state dependence on the national government, and that if federal funds were drawn down, there would be more excuse for maintaining the tariff. Calhoun, the leader of the extreme southern view, threw himself against the project, though five years before he had sponsored the "deposit" of the federal surplus with the states. The West on the whole opposed distribution of proceeds, wanting instead, as Benton and others were constantly explaining, land free to settlers.

Evils of Land Speculation

Pre-emption was by the very term a concession to the actual settler. The important act, skillfully called by its sponsor the "Log Cabin Bill," was passed in 1841, the West being clamorous for it. Pre-emption permitted the "squatter" on public land, who had settled before sales were ordered or surveys made even, to buy the quarter-section at the minimum government price of $1.25 per acre without having to compete with other bidders. This right had, in fact, long been exercised by administrative indulgence and through combination and a show of force on the part of the squatters. They vastly outnumbered those who came to the auctions, they were in actual possession, and they were regarded in the West as the right occupants instead of speculators and other interlopers who came from money centers of the East. The squatter settlers, for their mutual protection before the law was passed, had formed "claim associations," which at sales bid in the land for the occupants, at the minimum price, effectively menacing any stranger who would go higher. In 1854, the graduated price was introduced, again in satisfaction of long demand of the West. The price of land was reduced in proportion to the length of time it had been on the market without finding a purchaser; that which had been vainly offered for thirty years was now priced at twelve and a half cents an acre.

The graduation act, since it did not limit the amount of land an individual might buy, flung the door wide to the speculator, who was

regarded by the West as Public Enemy Number One. Within a year more land was sold than in the previous eight years, and in less than the decade that this act remained in force, an area equal to that of the State of Ohio was disposed of under it, mostly to persons never intending to settle, but to resell at higher prices. The first two periods of violent land speculation had come when state banks were in the ascendancy — following the War of 1812, and in 1835–36. In both cases depreciated or worthless bank notes were issued and reissued to land speculators, whose subsequent ruin did not relieve them of anathemas. They held land off the market, compelled settlement to go around and beyond it. Speculators, like squatter claimants, combined to bid in land at the minimum price, then resold to settlers at five or ten times the amount. Professional speculators were described by an Iowa editor during the next land craze, preceding the panic of 1857, as men who "produce more poverty than potatoes and consume more midnight oil in playing poker than of God's sunshine in the game of raising wheat and corn."

The subject of land grants to railroads is treated elsewhere. Here the effects upon settlers may be referred to. The railroads were given alternate sections for as much as twenty miles on each side of the track. Ordinarily it was provided that the lands along the route remaining in government hands should be sold for a minimum of $2.50 instead of $1.25, the theory being that the presence of the road justified this double value. As unoccupied land became scarcer, the government put restrictions on the sale of railroad lands in order to protect purchasers. Land must be sold to actual settlers only, at a given maximum price, and railroad claims to lands should be forfeited if the track was not built within a generous period. The railroads, in their land policy, were pulled in two directions. On the one hand, it was to their interest to get their lands settled in order to furnish traffic for the lines. On the other, if they could wait until the government lands were occupied and the country through which they passed was otherwise developed, they would get higher prices.

Both motives were influential, most of the railway sales following those of the contiguous government land by a decade or more, and the average price being about twice that charged by government. The last railroad land grant was made in 1871. This was, significantly, the year of the first "Granger" legislation regulating railway rates in Illinois, and the year in which a pamphlet appeared in California from an unknown author, *Our Land and Land Policy*, by Henry George. The farmers were turning on the railroads which had been responsible for the too rapid

opening of the prairies, causing wheat to be as much a drug on the market as it had been when the agricultural West was hopelessly isolated, and bringing ruin to farms and railroads together. Henry George took as text for his dissent the wealth in land granted to railroad corporations. He used as frontispiece to his pamphlet a map of California showing in color how half of the state, the desirable valleys, had passed to railroad ownership, reducing the available low-priced land, and putting the worker in vassalage to the land monopolist. The pamphlet, thus evoked, was the genesis of George's single tax principle, soon to be fully expounded in *Progress and Poverty*.

Under the Homestead Act and its successors, in sixty years nearly 214,000,000 acres were disposed of in more than 1,300,000 homesteads. A defect of the homestead policy, which constantly appeared and was as tardily remedied, was that the relatively small size of the farm, one hundred and sixty acres, was increasingly uneconomic as the hundredth meridian was crossed in the westward march of settlement, the humid lands being left for the semi-arid and the arid.[1] In the dry and desert regions the small size of the homestead invited the early sale of his holding by the ruined entrant and its purchase by the great ranching or other corporation. Slowly the size of the homestead was increased and the terms of required residence were made easier. It was to be long before the traditional democratic ideal of the small farmer ceased to be mischievous in the development of irrigation in the West. Only gradually did it dawn upon government that the democratic way to plan and prosecute such enormous, and enormously beneficial, projects is not through the puny separate efforts of individuals, not through the action of the state or of several states jointly, but by the competence, financial and technical, of the national government. Water is conducted to the garden, not by the furrow of the homesteader's plow running from the neighboring creek, but by Boulder Dam, bracing itself against the rock walls of two states, impounding a little sea to feed thirsty valleys below.

Cattle Drives

Another aspect of the peopling of the plains was the contest between cattlemen and cultivators. The "Cattle Kingdom" occupied the good prairie grasslands and the semi-arid plains from 1870 until 1885, after

[1] The hundredth meridian runs, roughly, through San Antonio, Oklahoma City, Dodge City, Kansas; North Platte, Nebraska; Pierre, South Dakota; and Bismarck, North Dakota.

which time farmers moved in from both East and West. Cultivators could not utilize this great intermediate expanse until the advent of railroads, barbed-wire fence, and windmills. Webb (*The Great Plains*) has told the story. The cattle, Mexican (Spanish) in origin, came from the favorable breeding area in the tip of Texas south of San Antonio. They were longhorns, rangy and tough, and multiplied prodigiously in the wild state. There had been irregular "drives" of these cattle before the Civil War to the Missouri River and even to Chicago, with more to California and New Mexico, but expansion really began after the war, when the growth of urban populations in the industrial North furnished a new demand. In 1866 some 260,000 Texas cattle were driven north; while they made for Sedalia, Missouri, to which point the Missouri Pacific had reached, many thousands detoured to St. Joseph, whence they were shipped to Chicago, or went to stock the plains of Nebraska and Wyoming. The hindrance in getting to Sedalia, the closest rail-head, was armed bands meeting the herds, either in the belief that they

Keystone

TEXAS LONGHORN

would bring Texas cattle fever into uninfected areas or for theft.

A "cow town" was needed, with space, water, grass, and a railroad. J. G. McCoy in 1867 promoted the first successful one in Abilene, Kansas, where he got favorable shipping rates over the Kansas Pacific to the Missouri River and thence by the Hannibal and St. Joe to Chicago. He built pens and loading chutes, and sent out agents to intercept the droves and attract them to Abilene. The dismal little settlement of log huts grew overnight into a raucous place where the trailsman, released from his arduous watchings and wanderings of months, and with money of eastern buyers in his pockets, indulged his craving for excitement in several ways. That year Abilene shipped 35,000 head; within five years the number had grown to 700,000. Cattle not ready for shipment or not finding a market were held on the near-by plains for fattening or were sold to ranchers north and west, in Wyoming, Montana, the Dakotas. Others had gone to the Southwest so that by the middle seventies twelve plains states were comprised in the cattle kingdom — by which we mean the open range without fences, the round-up twice a year with its branding, and the long cattle drives to market.

From 1865 to 1873 the West added almost twice as much to its railroad mileage as did the East, and as the long lines of steel reached outward across the plains, so the "cow towns" to which the drives were directed shifted westward, to Wichita, Ellsworth, and Dodge City, Kansas. In 1873, Wichita and Ellsworth got the record number of cattle for any year of the drives, 405,000, and in the fifteen years from 1866 to 1880, Texas delivered to these several railheads 4,223,000. The drover, who made a business of taking the herds to the North, selected the best cowboys, with plenty of spare horses, to help in the work made ticklish by stampedes, rivers with quicksand bottoms, Indian attacks, and long "dry drives" where fevered cattle had to be kept going for several days without water. The usual pace, when they settled to the trail, was some fifteen miles between sunup and sundown. About 1872, the practice of driving Texas cattle to the northern grasslands or corn belt to be fattened became prominent, for the ranges were now well supplied, and the East was beginning to demand better beef than came to the railroads weary and thin from the long trek.

But the Homestead Act had been passed in 1862, inviting farm settlers, and these could safely come, for the Indians were being confined to reservations. The problem was fencing against the range cattle. What to use for fencing material? The plains were treeless, and lumber shipped in was prohibitively expensive. Farms could be had for the land office

fees, but at $1 a rod it cost $640, or $4 per acre, to fence a quarter section of 160 acres; the smaller the area fenced, the greater the cost per acre. Northern prairie states had mud fences, just as they resorted to sod houses. Much ingenuity and discussion were expended on fencing materials and methods. Osage orange and Cherokee rose hedges were used, and one proposed high, wide hedges of the prickly pear, through which he did not think "the devil himself could penetrate." Cattle would push through and break down smooth wire.

Barbed Wire

The thorn hedge supplied to several inventors the idea of a fence with snags or points on it. The scheme that seems to have led to barbed wire was a pole, set with small nails, to be hung on plain wire. Joseph Glidden, a farmer of DeKalb County, Illinois, made the first commercially successful barbed wire, patented in 1874. Jacob Haish, a neighbor, hit upon the same thing about the same time, and after Glidden's patent and others were bought by the biggest wire-manufacturing firm, and finally passed to the United States Steel Corporation, Haish remained independent and fought the would-be monopoly. Automatic machinery was promptly invented to make and apply the barbs and twist the strands. From 10,000 pounds of barbed wire sold in 1874, the output rose to 80,500,000 pounds in 1880. With increased production, the price fell from $20 for 100 pounds in 1874 to half as much in 1880 and then dropped rapidly to $1.80 in 1897.

A controversy ensued between farmers and ranchers as to which should fence, and when some ranchers did so, those who held to the open range cut the wires which enclosed the precious water. Windmills increased the use of barbed-wire fencing, for they brought water to pastures irrespective of streams. The first automatic windmill, which would stay in the wind and run at a uniform rate, was made by Daniel Halliday at South Coventry, Connecticut, in 1854. The factory was moved to Batavia, Illinois, in 1862, to be near the plains country which furnished the market, and at this time production of windmills began on a large scale. The windmill was necessary to lift water from the deep wells fifty to three hundred feet. A bucket in a six-inch shaft would be three inches in diameter and four feet long. Drawing water by bucket for cattle was too arduous. After some experiments, in which homemade windmills played their part, the eight-foot "rosette" windmill with curved iron blades and a device for self-oiling became the standard

contrivance for pumping. Windmills in large numbers were used by the railroads as they pushed out into the plains, and farmers and stockmen employed them universally.

When the depression which began in 1873 lifted about 1879, the prices of cattle and of beef rose until the cow previously worth four dollars on the range and forty dollars at market was worth double at both places and prices were going up steadily. The boom soon overstocked the ranges just at the time when the open grasslands were being reduced by the inroads of the farmer. Wire fence and windmill permitted him to attempt cultivation of the semi-arid plains of western Kansas and Nebraska, though he could not succeed except in such wet years as those of the early eighties which brought the homesteaders in large numbers. The boom in the range-cattle business broke about 1885, mainly because of drought, but partly because of the general depression that had struck a year earlier. Cattlemen saw that they must have beef animals, Herefords, not the scrub stock, and this meant fencing and feeding and bringing water to them. So more of the open range disappeared until it was difficult to drive cattle long distances to the railroad. As early as 1874, a drover testified, "There is so much land taken up and fenced in that the trail for most of the way is little better than a crooked lane, and we have hard lines to find enough range to feed on." But more rails were coming into the prairie plains, towns were springing up, and the cars came to the cattle, so that the drives got shorter and shorter and finally ceased altogether.

Big Westward Migration After the Civil War

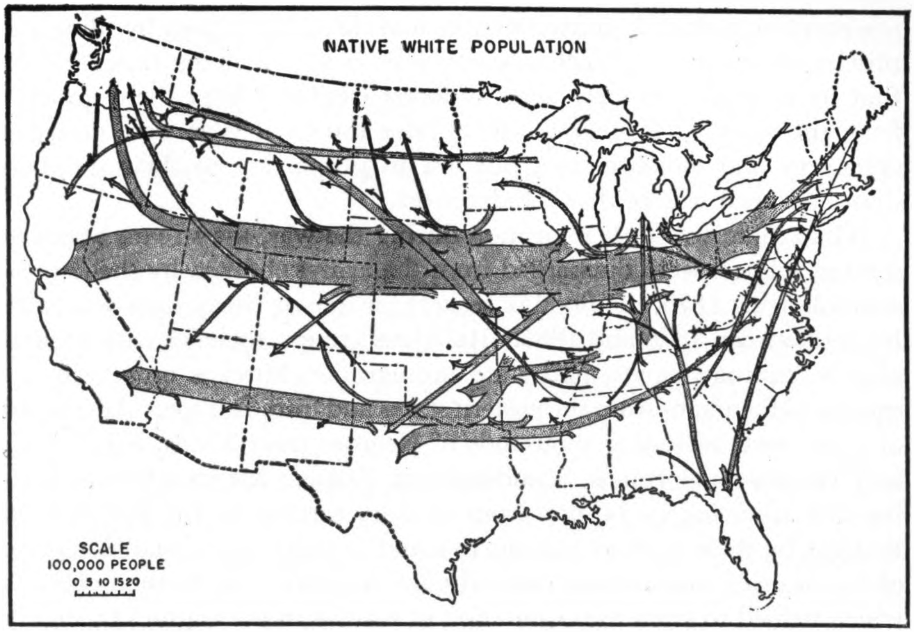
Waves of settlement in the trans-Missouri region coincided with successive gold rushes.[1] Some, attracted by the good land, preferred to dig in the prairies rather than the gulches; others listened to the disappointed who returned from prospecting, and settled down where they were. The gold rush to California (1849–50) added to the river towns and planted a fringe of population west of the Missouri. Discovery of gold at Cherry Creek, in western Kansas (now Denver, Colorado) in 1857 started across the eight hundred miles of plains to the mountain wall many whose ambition of "Pike's Peak or Bust" ended in "bust." Often such adventures led to taking land claims instead of pursuing for-

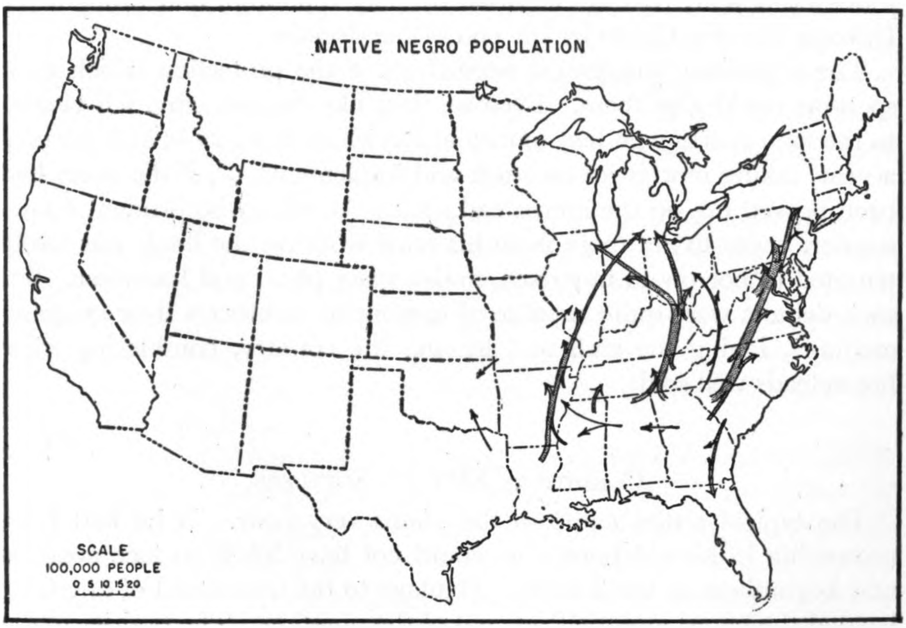
[1] Everett Dick, *The Sod-House Frontier*, a full account of all aspects of settlement on the northern plains.

tune at the mines. Virginia City in the sixties and the Black Hills rush of the seventies opened new routes to tempt lines of settlement.

Public land in the fifties, especially if it was bought outright in the stampede of 1859, was purchased with soldiers' warrants of the Mexican War. These had been given as reward for military service, and had a face value of $1.25 an acre, but they sold for half of this or less, and speculators bought them up to acquire choice land, afterward disposed of to settlers at several times the government price. Those without warrants and having only a few dollars in money took advantage of the pre-emption law of 1841. The method was to select a site of one hundred and sixty acres, then go as quickly as possible to the land office to file the claim. The claimant must be head of a family, a widow, or a single man, and must swear that he had not pre-empted before, was not taking the land for the purpose of selling it, and was not acting for anyone else — that is, he was a bona-fide settler, not a speculator or "dummy entrant." Within thirty days if he could prove that he had a house on the place he could buy the land at the assessed value, usually $1.25 an acre. Or he could wait until the regular land auction came around, when his piece was always knocked down to him at the regular price. All sorts of frauds were perpetrated. A miniature house made of a cracker box satisfied the easy virtue of claimant and land office official, or a house on wheels was hauled around from one claim to another. Four poles laid across each other to form a square kept land from true settlers while the owner returned East to await a favorable opportunity to sell. Impetuous ones who could not wait for the Indian titles to be extinguished, but pushed out into the plains and bought land from the tribes, later did much to confuse and corrupt the pre-emption process. The crude surveys made by these squatters did not follow the subsequent government lines, and those who got there first, by whatever means, called later applicants "claim jumpers."

By and large, the first genuine cultivators were homesteaders, acting under the law of 1862. The only charge for one hundred and sixty acres (a quarter-section) was the fee of eighteen dollars. Of this, fourteen dollars was paid on filing; improvements must be begun within six months of that time, and, when the claimant could show, by witnesses, that he had made the place his permanent residence for five years, he paid the remaining four dollars and "proved up." If the settler had the means, he could commute his homestead entry to a pre-emption and make the land his in less time than the five years by paying $1.25 an acre. Or one could get more than one hundred and sixty acres by





NET MIGRATION OF NATIVE POPULATION

From National Resources Committee, Problems of a Changing Population, 1938.

pre-empting a second quarter-section, and then, if he chose, by filing and proving up on a third section on which he swore, many times falsely, that he had planted forty acres of forest trees and kept them growing for eight years. The plains settlers after the Civil War were guilty of chicanery and violence, too, but less in proportion to their numbers than had been true of their predecessors.

While there was little migration during the war, the stream began as soon as soldiers were discharged from the army; checked by the depression following 1873, the flood of seekers for free or cheap land was at its height between 1878 and 1886. Religious groups, societies with various objects, railroad agents and state immigration bureaus organized the exodus to the plains from the eastern states and from Europe. Americans of every sort, including thousands of Negroes from Texas, Mississippi, and Tennessee; Germans, Scandinavians, Russian Mennonites demanding and receiving exemption from military service; young Englishmen thought by their wealthy parents to stand in need of the wholesome life of the prairies; vegetarians, Seventh-Day Baptists — all formed colonies which helped to swell the population of Kansas in the eighties by eighty thousand a year, that of Nebraska by sixty thousand, and brought the Dakotas into the Union by the end of the decade.

The organized immigrants needed all of the protection which their sponsors could give them. Even so, they like the rest often fell victims to the loan sharks who lent money at anywhere from 25 to 125 per cent a year, taking mortgages on stock and implements, or, if the place had been proved up, on the homestead itself. An otherwise prudent homesteader, eager to get more from his hard work on the land, was easily tempted to borrow to buy oxen, mules, gang plow, and harvester. But such debtors were quite capable of turning the tables on their grasping creditors, taking the cash and leaving the country, considering their homesteads well sold.

Conditions Met by Settlers

The typical settler came to the plains very poor. If he had been prospering in his old home, he would not have left it to face arduous new beginnings on the frontier. Haulage to the homestead of anything beyond the barest essentials was out of the question. The prairies made heavy demands on labor, with little assistance from ready-made equipment. Many settlers for several years had no teams, just a few hand tools. While the family camped in a covered wagon, or, lacking this,

under a tent made of sheets, a home was built from what the plains afforded.

The most primitive sort was the dugout, an excavation into a bank, walled up on the front with sod except for a door and window, and roofed over with poles covered with brush, then with a layer of prairie grass, and topped with earth.

The sod house was better. The prairie was turned with the plow to the depth of the tough grass-roots, and with a spade the sod was cut in three-foot lengths to be laid like bricks to form a building sixteen by twenty feet or smaller. If possible, the roof was of boards covered with tarpaper and then with earth. Some preferred walls of mud mixed with straw or hay. Reinforcing the walls of earth houses with saplings made them last several years.

These dwellings resisted the high winds and prairie fires, were warm in winter and cool in summer, and cost almost nothing except labor. But here their virtues ended. The brush, straw, and dirt roofs leaked muddy water; the earth floors stood in pools which must be drained out under the doorsill. The crumbling walls called for seven maids with seven brooms. As soon as the family could afford it, a frame house was built; where lumber was most expensive, the light construction was supplemented with insulation of prairie grass and a plastering of clay and ashes. As settlement pushed westward, trees were scarcer; cottonwoods growing along the streams were carried distances and used for all they were worth, which was not much.

The first-comers, settling near streams, got water from them; a barrel sunk near the water's edge would fill overnight. Those away from streams used the water that collected in buffalo wallows, unclean though it was, or dug wells. Those on the ridges might have to go down more than two hundred feet, and few settlers could pay a dollar a foot to have a well drilled. Water was brought weary distances from stream or neighbor's well.

Fuel was another problem. The early settlers found plenty of buffalo chips (dung), which were collected on every occasion and piled for drying. When these were cleaned up, cow chips were used. The prairie hay was wound and pressed as compactly as possible for burning; those with money could buy stoves ingeniously made with magazine cylinders to feed the chunks of hay to the fire. Cornstalks were burned, corncobs, and even the whole ear of corn.

It was fortunate that there was little reason, on those lonely homesteads, to dress up. Blue army overcoats were common until they wore

out in a harder campaign than any against the Confederates. Denim, faded and patched, became the common wear of men, and cheap calico, for dresses and sunbonnets, of women. Children were clothed often in flour or grain sacks with holes cut for head and arms. Many times from necessity, frequently from choice, everybody in the family went barefoot well into cold weather, and then wore moccasins or wooden-bottomed pattens.[1] When sheep began to be kept, the women made homespun cloth dyed with walnut juice.

Corn, cooked in innumerable ways, was the staple of the diet. Buffalo were killed off by the middle seventies, though such small game as rabbits, wild turkeys, and prairie chickens continued to furnish a supplement even after hogs became the main reliance for meat. Truck patches furnished greens and other vegetables, and every effort was made by drying and pickling to keep garden stuff for use in winter. Canning was rarely done. The prairie grew wild nuts, plums, and berries which were eagerly gathered. Where there were trees, wild honey took the place of sugar, and farther west sorghum molasses was the universal sweetening. Grains, roots, and squash were roasted to make coffee substitutes. Lack of vitamins harmed all, especially children.

The plains had their scourges which made poverty and toil harder to bear. Blistering heat in summer with dust storms after much of the sod was plowed, were matched by blizzards in winter, when the temperature of the Dakotas, Nebraska, and Kansas dropped to thirty degrees or more below zero and snow was carried on blinding gales. People lost their way, were frozen to death. Farmers could not get to their stock, and when they did, found snow several feet deep had blown through crevices into the barns. Families in dugouts were threatened with suffocation. Often, as in Scandinavia and Russia, farm animals were brought into the dwelling to keep them warm.

Swarms of locusts plagued the first settlers on the prairies, and continued to return at irregular intervals, the worst incursion being that of 1874. Since the crops were tenderer than the natural grass, the insects descended on these and devoured, not only everything above ground, but ate turnips and other roots. Even boards on the houses were gnawed. Relief was sent in by state and federal governments, and by individuals and organizations in the East. The prairie fire was another menace against which the isolated homestead could do little.

Women had the worst of dreary life on the plains. It was banishment.

[1] It must not be forgotten that this description covers the clothing today of scores of thousands of the poorest tenants in the cotton South.

The utter loneliness wore them down in spirit as much as the daily round of work exhausted them physically. Many persuaded their husbands to give up and go back East where there were neighbors, water, trees, and hills as an alleviation of poverty. More, of course, stuck it out through suffering and sorrow, and richly deserved whatever comfort came to them when their homesteads, well established, enjoyed some prosperity, and the community was sufficiently peopled to afford social contacts.

These farm settlers had been hurried into the West prematurely. Whole new communities and states, suddenly brought into existence, found themselves injured by conditions over which they had no control. Their organized protest took a form which we must now examine.

Grievances Back of the Grangers

The Order of Patrons of Husbandry, better known as the Grange, spread over the entire country so that at its height in 1875, seven years from its founding, it had over twenty-one thousand local branches and more than three quarters of a million members. Early in 1874, some eighty local granges were being formed daily. Consider that this fervor of organization occurred among farmers living far apart and notoriously individualist in thought and habit, and it is clear that powerful causes were at work to bring them into combined action. S. J. Buck, who has given us the most considered account of the movement,[1] has prefaced the story with a masterly description of forces which threw the farmers into a phalanx.

The Granger movement found its main drive in the prairie states of the upper Mississippi Valley — the North Central Division, embracing Indiana, Illinois, Michigan, Wisconsin, Minnesota, Iowa, Missouri, the Dakotas, Nebraska, and Kansas. Here the protest was most uniform and intense. Country-wide influences injuring this agricultural area in the period of Grange agitation were the economic depression following 1873, falling prices which made old debts harder to meet, and fluctuations in the depreciated paper currency. The high protective tariff made manufactured goods, bought in the domestic market, cost as much as agricultural staples, sold in the world market, brought little. Add also the growing economic consequence and political dominance over

[1] *The Granger Movement, 1870–1880.* The student of American economic history may take chapter I, "Fundamental Conditions," particularly, as a model of wide information, terse statement, and mature conclusion.

agriculture of the new industrial and commercial class, with ignorance and neglect of farmers' problems by the old political parties and corruption of legislators by financial, transportation, and manufacturing interests. Other causes of discontent were more or less local to the prairie region. Farm debt was incurred for premature extension of cultivation and investment in railroads. Large-scale production of wheat and corn by a rapidly growing population using efficient machinery increased total output and correspondingly decreased price. These prairie grain-growers were absolutely dependent upon the railroads, which, unregulated by the government, charged more than the traffic would bear in order to pay dividends on watered stock. Farmers depended also upon middlemen — merchants, machinery agents, produce commission firms, warehouse and grain elevator owners. Lastly, the intellectual sterility and social loneliness on these large farms in a newly settled area contributed to dissatisfaction.

We have tried to list in a paragraph grievances which had been years in gathering, which produced in the farm people a "blind antagonism" to the men and institutions whom they regarded as their exploiters. The Grangers, at least in the beginning, understood little of the workings of railroads, banks, the currency, produce and stock markets. They were as clear about the objects of their resentment as they were confused, even bewildered, about the means of attack and correction. Indeed, those more accustomed to dealing with public problems, such as transportation and currency, were little more successful in devising effective treatment. The Granger movement was valuable to the farmers and to America precisely because it was agrarian; that is, revolutionary with an agricultural slant. The protest was of first importance; the program could and did come later. It was a period of swift economic transition, in which the physical frontier was reached and the frontier of social control began to loom. The depression, following the feverish activity of war and the surge of construction and speculation which came after, was a cause for national reflection on the relations of classes. Farmers who thought of themselves as the sole producers tried to mobilize against owning and managing elements, industrial and urban, who were looked upon as insolent parasites. The Grangers were tillers of the soil, but they gave impulse and direction to organizations of wage-earners as well. Thus, the movement took on wider import, and became one not only of farmers but of workers.

The Grange made a powerful appeal outside the region typified by Kansas and Iowa. It was strong on the Pacific slope, where grain-

growing had succeeded to gold-mining, and which was dependent upon selling, through shipping agents and commission houses, in the distant Liverpool market. The Order took hold in New England and the Middle Atlantic states more slowly than in the acutely distressed staple-producing areas, though here land values were falling because of the western competition and migration to that new empire. The South of cotton, sugar, and tobacco became a Grange stronghold, because of general causes already mentioned and in consequence of the destitution and disruption following the Civil War and Reconstruction. South Carolina and Mississippi were centers from which the movement soon spread to neighboring states.

The founders of the Patrons of Husbandry, in 1867, were a half-dozen government clerks in Washington, led by Oliver Hudson Kelley. Kelley returned from a trip of observation through the South for the Bureau of Agriculture persuaded that farmers should form themselves into a secret order (he was a Mason) for social enjoyment and increase of their knowledge. After a discouraging start, with no money, Kelley met with increasing success in organizing local and then state Granges in the Northwest, until by 1872 the movement gathered momentum and thereafter grew faster than was desirable from the point of view of cohesion and permanence. It soon appeared that social meetings and mental improvement appealed to the farmers less than use of the organization for their pecuniary advantage and legislative protection. The Order began by declaring that it eschewed politics, but this stand was soon abandoned by the local and state Granges, followed by the national body, so that the Patrons appeared as a principal "pressure group" of that day.

Reform of Railroads

The chief legislative demands, usually made first in state Granges and afterward championed by the national organization, were for cheaper transportation and abolition of railway abuses. Cheap money was the object of a variety of expedients, including silver coinage and no return to specie payments. The protective tariff should be reduced, except on agricultural products, especially wool. Grangers wanted abolition or revision of internal taxes on tobacco, and imposition of an income tax; economy and honesty in government; and reform of the patent laws in order to reduce the cost of agricultural machinery. The Bureau of Agriculture should be erected into an independent depart-

ment with a member of the Cabinet as its head. Agricultural courses in the public schools, and state agricultural colleges were recommended. Most of these advocacies had little immediate effect in national legislation, but contributed powerfully to laws passed later on, such as those regulating railroads and forbidding combinations in restraint of trade.

Political wings of the Grange and similar farmers' clubs and alliances were the numerous independent, anti-monopoly, and reform parties which flourished in the Northwest from 1873 to 1875. Although the Grange had gone into decline a dozen years before the Populist Party was formed in 1889, it contributed to the latter movement in both platform planks and personnel.

The Grangers, in all their agitation of public questions, whether by publicity, memorials, or votes, emphasized regulation of railroads in the interest of lower freights and fares, and banning of discrimination between places and persons. With other farmers' organizations they were successful in passing and enforcing what are known as the "Granger laws" in Illinois in 1871 and 1873. These anticipated national railway control by establishing a railroad commission with power to set maximum rates and prosecute where a road charged more for a short than for a longer haul over the same line in the same direction. This last practice of the railroads grew out of attempts to make up, by high rates charged intermediate points, for the low rates which they must allow between points where competition of other lines was met. The example of Illinois was rapidly followed by other states. The more important of these Granger statutes were confirmed in decisions of the Supreme Court of the United States which planted a new milestone in development of American constitutional law. *Munn* v. *Illinois* established the right of the state to fix maximum charges for storage of grain in Chicago elevators, since the business was one "clothed with a public interest."

This decision was immediately applicable to the case of railroads, since the roads were public in nature. Attorneys for the railroads contended that the rates fixed by the legislature or its agent might operate to deprive owners of the railroads of property without due process of law, and so be repugnant to the federal Constitution. The Court replied that appeal from the requirement of unreasonable rates lay to the legislature, not to the courts, though later judicial review was allowed. The Granger cases put an end to the "public-be-damned" attitude of the railroads. Grangers, by laws and otherwise, tried to stop corruption of legislators by railroads, such as had appeared in the Crédit Mobilier scandal, one means being to forbid the giving of passes to public officials.

The Grangers soon saw that state regulation of railroads was futile or inferior to federal regulation where so much of the traffic was interstate, and so they backed bills in Congress which would give to the central government power similar to that already exercised by the states. Grange organizations at different times declared in favor of government construction and operation of interstate railroads, and of canal systems to compete with privately owned railroads. The Interstate Commerce Act of 1887 and the numerous laws for railway regulation which followed owed much to the initial efforts of the Grange and its satellites.

Besides the political and propaganda work of the Grange was its universal effort to eliminate the hated middleman by establishing co-operative undertakings of several sorts. State agents were appointed to purchase for members fertilizer, seeds, fencing, implements, and grain sacks, and to sell the produce of the farms. Large numbers of local co-operative stores were set up. Unfortunately, many of these were conducted on inferior plans before the National Grange began teaching the Rochdale principles of cash sales at prevailing prices, distribution of dividends according to patronage, limited stock ownership, and democratic management. Mutual fire insurance companies were more successful than life insurance ventures. Especially in California, Grange banks were stable. Grange-owned factories for making agricultural machinery went down in failure. But altogether, the co-operative establishments were responsible for much more saving than loss to the Granges, though in some instances failure seriously weakened or broke up the Order in a county or state.

By 1880, the decline of the Grange was obvious. The loss of four fifths of the membership it had had five years before came from too rapid growth, the taking over of many of its objects by other organizations, jealousies within, blame without, and the return of prosperous times. It began soon to revive, however, and, with changes in emphasis, continues to this day one of the most important associations of farmers.

The Granger movement in its most fervid years was class-conscious, and in itself and through its influence on unions of industrial workers formed the natural counterpart to the combinations of capital which were so prominent a feature of the period.[1] It was a mass movement, American in conception and tradition, and immensely more effective than the several Socialist organizations of the time formed on European

[1] Edward Winslow Martin's (pen name of J. D. MacCabe) *History of the Grange Movement; or, the Farmer's War Against Monopolies* (1873) is a piece of hack work, but it shows, in pictures as well as text, the farmers' indiscriminate resentment of bankers, commission dealers, railroad and stock-market magnates, and a puritanical condemnation of the manners of the rich.

models. The Grange admitted women on equal terms with men, and though the National Grange refused to endorse woman suffrage, several state bodies did so. However, the Granges would not admit Negroes, and in the South the attempt often was to make the Grange a weapon against these and other farm laborers. The railroads against which the western farmers protested continued to combine and grow in power until federal regulation was necessary. We shall now trace that development.

Progress of Railway Consolidation

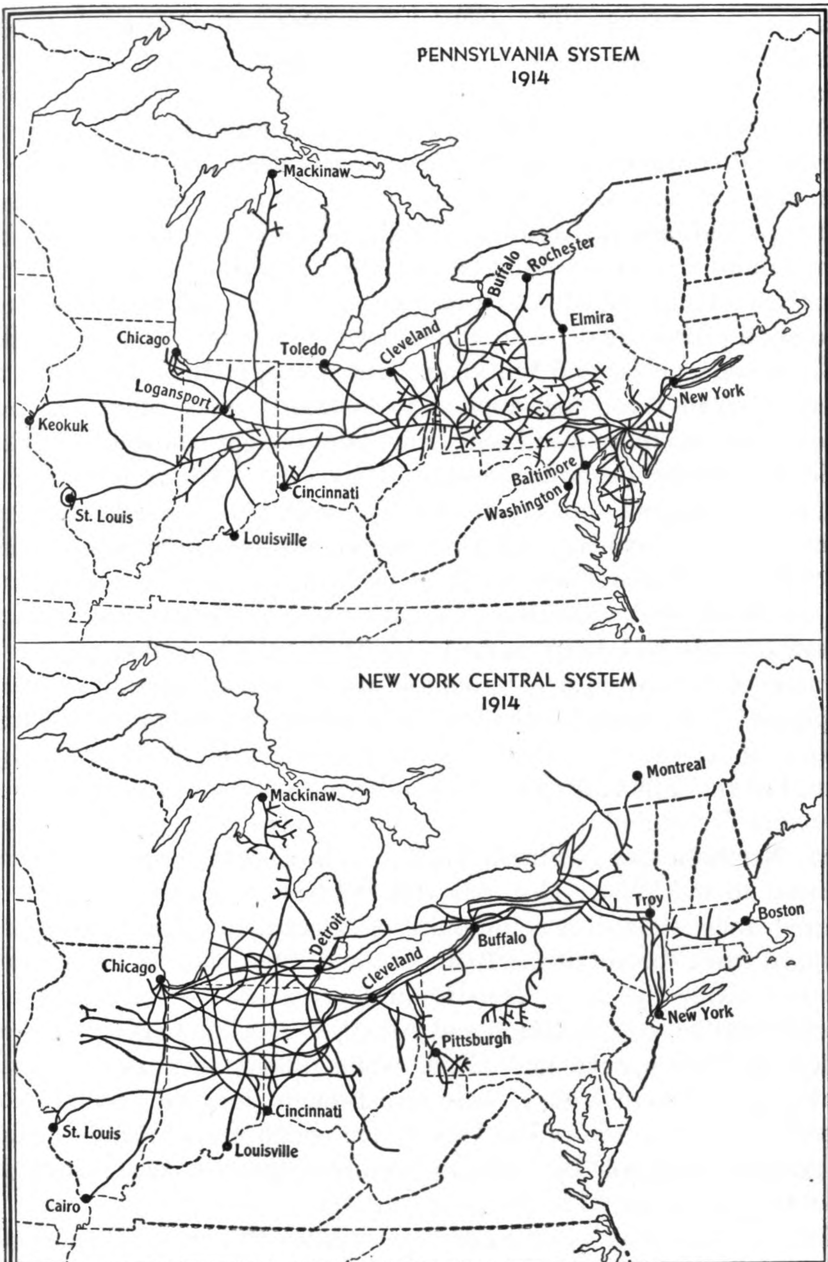
The tendency toward business amalgamation and large-scale production is well illustrated in the history of American railroads. Consolidation of lines has been taking place almost from the beginning. The reason is clear. A large proportion of the investment of a railroad is fixed — in right of way, track, rolling stock, structures — the cost of which does not change with much or little business. Under this condition, the desire to increase the traffic of a line is keen. The resulting competition — apparently in spite of any amount of public regulation — leads to some sort of unified action among roads. Also, as settlement has extended and the economic activities of the country have developed, the need for long and efficient lines has been obvious. Railroad consolidation has taken the several forms of corporate merger, purchase of physical assets, leases and other operating agreements, acquisition of controlling stock ownership, use of the holding-company device, and working arrangements called "community of interest."

Naturally, the combinations of the forties were of short lines. In the next decade through lines were developed between the chief eastern ports and the Great Lakes and Ohio Valley. After the Civil War consolidation was speeded. Money was abundant, newly accumulated family fortunes found the railroad field inviting to exploitation, and heavier traffic, needing expensive equipment, demanded more service than a short road could supply. Thus, the Vanderbilts formed the New York Central system, the Pennsylvania brought together lines between the seaboard and Chicago and St. Louis, the Baltimore and Ohio did the same less extensively, the pattern was followed by Southern Pacific, Northern Pacific, and Great Northern in the West, and the Atlantic Coast Line and Southern were commencing similar progress in a region which had many disconnected roads. Now appeared not only end-to-end combinations, but acquisition of branch feeder lines,

and soon the bringing of parallel lines under unified control through leases and purchase of stock. By 1900, consolidation dominated the field.

As we noticed in describing the Granger agitation, this post-war era of railroad combination produced public suspicion and resentment and demands for regulation. Western farmers found themselves deceived and exploited, and suffered under high rates and unjustifiable rate discriminations. Stock-watering and manipulation and bribing of legislatures injured and affronted a larger section of the population. Since state regulation proved inadequate, the national Interstate Commerce Act of 1887 forbade pools, and ten years later the Supreme Court said the Sherman Anti-Trust Act applied to railroads, thus ruling out rate agreements. So those wanting to unify lines bought controlling stock of their competitors, beginning shortly before 1900. The active combination which followed until about 1906 was helped on by the great investment bankers. Further, stock-ownership had by now become so diffused that often a comparatively small block of shares, maybe not over ten per cent of the total, was sufficient to give decisive weight in management. Western roads had been pushed out into sparsely settled regions in advance of the prospect of profitable returns, so competition became desperate. After prolonged railroad wars in which rival promoters were reckless of the interest of shippers and all others, E. H. Harriman got control of the Union Pacific and Southern Pacific and reached out for the Santa Fe, while James J. Hill, with Morgan backing, embraced the Great Northern and Northern Pacific. These developments were not confined to the West. Not only did the New York Central and the Pennsylvania establish a community of interest, but the Pennsylvania obtained stock control of the Baltimore and Ohio and the Norfolk and Western, while the New York Central acquired the Lake Erie and Western and leased the Boston and Albany. The two major roads controlled the Chesapeake and Ohio, while others, such as the Jersey Central and Lehigh Valley, were also brought into the combination. George Gould, the son of Jay Gould, contended unsuccessfully against the growing monopoly by trying to assemble a coast-to-coast system; his structure was destroyed in the panic of 1907.

Federal regulation of railroads now gathered force. Though the Supreme Court had held as early as 1886 that a state commission did not have jurisdiction over rates on an interstate movement, and other developments opened the way to federal action, the authority of the Interstate Commerce Commission was feeble and obstructed for almost



TWO TYPICAL RAILROAD SYSTEMS

two decades. For seven years the Commission had no power to compel witnesses to testify before it. While the business of railroads was acknowledged to be a public function, administrative oversight and control of their practices was inhibited in many ways. Renewal of conspicuous abuses, which avoided the prohibitions of the Interstate Commerce and Sherman Acts, coupled with freight rate increases in 1899 and a new impetus given to railroad monopoly, were necessary to stimulate reform. The Commission's authority to regulate rates was severely limited, but the Elkins Act of 1903 eliminated rebates and other discriminations between shippers, brought under the penalties of the law those receiving rebates as well as the roads granting them, and made the published schedule of rates the standard of lawfulness. In the same year the Expediting Act gave precedence in the courts to appeals from the Commission's rulings.

The Northern Securities decision of 1904, discussed in our treatment of trust litigation, invalidated the combination, through a holding company, of the Hill and Harriman interests in the Great Northern and Northern Pacific. In 1904 the Hepburn Act empowered the Commission, upon complaint, to prescribe maximum rates, though on appeal to the courts the burden of proof was still on the Commission to show that the prescribed rate was reasonable. Sleeping-car companies and pipe lines were brought under the Commission's jurisdiction. The carriers must follow a uniform system of accounting and make detailed annual reports to the Commission. The important Mann-Elkins Act of 1910 extended the functions of the Commission and increased the effectiveness of its rulings. Old prohibitions on the railroads concerning pooling and rebates were tightened, but in addition the Commission could now fix maximum rates on its own initiative, and it could suspend a proposed change in rates. The Commission was given power to administer the "long-and-short-haul" clause of the Act of 1887. It was declared unlawful for a railroad "to charge more for traffic moving a shorter distance over the same line in the same direction than for traffic moving a longer distance, the shorter haul being included in the longer." This removed an old grievance of shippers. As we have noticed, roads had discriminated in rates against way points on their lines to recoup losses incurred between main competing points. Also, communication service — telephone, telegraph, cables — were added to the jurisdiction of the Commission. Thus gradually limited governmental intervention became positive federal regulation of railroads and other common carriers.

We may speak here of two new means of transportation which later

were profoundly to affect the fortunes of the railroads. A longer book would be required to describe completely the ways in which American life has been conditioned by the automobile. The road vehicle driven by an internal combustion motor was a German invention of the eighteen eighties, though Americans were among the many experimenters with steam wagons from the eighteenth century. First production of automobiles here was in 1895; for four years more were made than were registered, and for a decade and a half cars remained for sport rather than for transportation. By 1911 we were producing 200,000 cars and had over 600,000 in use. Pioneers in this country included Duryea, Olds, Haynes, Ford, Maxwell, White, Stanley, and Franklin. The Association of Licensed Automobile Manufacturers of 1903 became the National Automobile Chamber of Commerce in 1913. The latter wisely promoted the development and public acceptance of cars by a system of cross-licensing under which any member could use patents of other members without payment of royalty. Mass purchase of cars waited upon the building of hard-surfaced, well-graded roads.

A chief American accomplishment was in the substitution of mechanical methods of standardized precision manufacture in place of hand-machining. Jigs, gauges, and machine tools led on to the famous production lines, which influenced all factory organization in this country. Just as the automobile rested on prior knowledge of steel, petroleum, and electro-magnetism, so it was inseparably bound up with subsequent advances in technology and commerce. The "assembled" car composed of purchased parts gave way to integrated manufacture, in which the maker turned raw materials into finished product. The large number of competing manufacturers dwindled, leaving the bulk of production in the hands of a few giant corporations. The First World War gave impetus particularly to the use of trucks. Relatively inexpensive tractors followed.

It was the gasoline motor which made heavier-than-air flying machines possible. Here America was the pioneer. For sixty years experimenters in several countries had equipped machines with engines and propellers, but only models had left the ground. Wilbur and Orville Wright, of Dayton, Ohio, began practicing with gliders in 1900 and performed many original laboratory tests with their wind tunnel before constructing their first powered machine in 1903. With this they made successful, though very brief, flights at Kitty Hawk, North Carolina, the first in history. In 1905, Wilbur Wright flew for thirty-eight minutes, covering a distance of twenty-four miles. Three years

HOW IMPROVED TRANSPORTATION REDUCES THE EFFECT OF DISTANCE

In terms of travel time, the size of the United States has shrunk enormously since early days. Modern trains have made the country the size of the small map, and airplanes reduce it to a dot. Chart from Hart, The Technique of Social Progress. New York: Henry Holt and Company.

later, Orville remained in the air an hour and a quarter, covering forty-five miles. Wilbur in the same years broke all previous records in his flights in Europe. In 1909, Blériot flew across the English Channel, and the following year Paulhan, at Los Angeles, reached an altitude of about three quarters of a mile. No mention of the airplane in America can omit Charles A. Lindbergh's achievement in flying alone from New York to Paris, May 20–21, 1927, in his tiny plane, *Spirit of St. Louis.*

In this country as in most other countries government lent powerful assistance to aeronautical research, while military uses, particularly in the First World War, rapidly advanced design and performance of airplanes. Commercial aviation began in Europe directly after the war. As with the automobile, a distinctive contribution of America came to be in mass production, and adaptation of the airplane to new transport and military demands.

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Chapter 30

A Half Century of Organized Labor

THE CIVIL WAR was really an industrial revolution. Its political character — both before, in sectional struggle, and after, in Reconstruction — was on the surface. Underneath, the North of manufactures, corporate finance, and free labor was in conflict with the South of staple agriculture and slavery. The industrial North wanted national control, protective tariffs, and a wider national market. But this development, which was to enlarge opportunity for both capital and labor, sharpened the contest between these two factors in production. Thus, along with the war between factory and plantation went internal strife between employer and worker. Many elements contributed, the chief of which was intensified production in the North called for by four years of desperate military effort. This caused increasing demand for labor, while, however, wages lagged behind mounting prices and profits. Railways began to form a true network, the mileage of 1870 being more than five times that of 1850; moreover, consolidations and through freight lines linked Chicago and other western points with the great North Atlantic seaports and industrial centers. This increased competition between areas.

National unions of workers had been formed in a few trades in the fifties, among printers, stonecutters, hat finishers, molders, and machinists, the last two, organized after the depression of 1857, being the most vigorous. The inventions in the period preceding the war, in both industrial and agricultural equipment, invited a speeding-up of technological advance. The trade stagnation and unemployment which followed Lincoln's election found organized workers deploring the threat of civil war, but after the firing on Fort Sumter they both pledged and practiced allegiance to the government in arms. Men quitting civil employment for the army, though many were so young as hardly to

count themselves workers, created a labor vacuum into which poured foreigners, women, "apprentices," and some Negroes. Division of labor was diminishing the claims of skill. There was a population movement from rural districts to urban centers. At the end of the war came the disturbing element of demobilization of armies and the freeing, in something more than name, of nearly five million slaves. With the let-down after the war, the new labor organizations, which had already been interested in the co-operative movement and in land reform, became involved in the greenback controversy.

A labor press was essential to organizing effort, even on a local scale. Workers' papers which had sprung up shortly before the war were destroyed by the depression which opened the conflict, but their places were taken by stronger ones. The chief of these were *Fincher's Trades' Review*, published at Philadelphia from June, 1863, and gaining subscribers in most of the states; the *Workingman's Advocate*, begun in 1864 and becoming the organ, not only of the local unions of New York, but of the National Labor Union; and the Boston *Daily Evening Voice*, also started in 1864 and representing particularly the eight-hour demands of New England.

During the war something like three hundred unions were formed in sixty trades. These were local unions, not joined nationally according to crafts or industries, but grouped by cities in trades' assemblies. The first city labor bodies were formed in 1863 in Rochester, Boston, New York, Albany, Buffalo, Philadelphia, Louisville, San Franciso, and elsewhere, and soon others appeared in all important centers. The city assembly rather than the national union was the characteristic unit of organization because the market, for labor and product, was still predominantly local; moreover, distant communication between organizations was difficult. The trades' assemblies collected funds for strikers, fended off strike-breakers, organized trades, supported the labor press, established co-operative stores, lobbied in legislatures, and at last undertook to come together nationally.

The organization of workers was matched by the formation of employers' associations, often embracing a number of trades in one locality. These associations, in language which sounds very modern, deplored the activities of "ringleaders" and "uneasy spirits" among the otherwise contented workers, fomenting strife and producing business uncertainty. The employers' "unions," as the workers properly called them, encouraged "blacklisting" of strikers and others whom they found troublesome, opposed the eight-hour day, engaged in lockouts, and generally

discouraged employers from dealing with the representatives of their organized workmen.

An attempt at national organization of unionists, in 1864, was short-lived and had no influence. This was on the basis of trades' assemblies of cities, which by definition were local. The body of workers needed to be knit together by organization of national unions within crafts before any inclusive congress or association could have vitality and permanence. This had begun to happen, and in the decade between this time and the severe depression which began in 1873 some twenty-five national unions were formed, four times as many as had appeared before. Among these were the carpenters, bricklayers, cigarmakers, coopers, plasterers, shoe workers, and locomotive firemen. The shoe workers, calling themselves "Knights of St. Crispin," who through the recent introduction of machinery had been menaced by unskilled hands, numbered 50,000 in 147 branches or locals. In cigarmaking, partly due to war taxation, the individual producer had been obliged to give place to the factory or the sweatshop.

National Labor Union Distracted to Reform

The National Labor Union, which held its first convention at Baltimore in 1866, owed something to these craft bodies and more to the hope of pressing the eight-hour movement. This had been preached by Ira Steward, of the Boston machinists, for fifteen years. The demand came forward with a rush during the let-down of employment in 1866, which followed on the contraction of greenbacks and disbanding of the army. Advocates of universal eight-hour legislation urged that accumulating capital and use of machinery could produce plenty. The problem was to get a growing share of this national dividend for the workers. This would never be accomplished by long hours of grinding toil. Experience had shown that the eleven-hour or twelve-hour day produced exhaustion and a minimum standard of living. If workers had more leisure, they would want, demand, and get better wages. Thus the optimistic paradox, "shortening the hours increases the pay." The maxim held a mighty truth which the American labor movement was to demonstrate in the future. It was a pity that the National Labor Union, in its closing years in a deeper depression than that which gave it birth, turned from its insistence on the shorter day to the cry for more paper money. This last was a questionable and at best superficial

expedient, which helped usher out an otherwise promising labor organization.

The National Labor Union was the American counterpart of the International Workingmen's Association in Europe, formed at the same time under leadership of Karl Marx. Both began with proper labor demands, and both dissolved because of lapse into political dissension.

The first convention (1866) of the National Labor Union was made up of seventy-seven delegates from thirteen states. They came from trades' assemblies and national unions (about equally represented), from local unions, and from eight-hour leagues. The formation of an independent labor party to secure the eight-hour day was projected for the future. The struggle between trades' assemblies and national trade unions, which constantly impended, was postponed by discussion of political action for shorter hours, and was diffused by attention given to a public land policy, tenement-house reform, the plight of pauperized sewing women, and the competition of prison labor. A committee from the convention was unsuccessful in getting President Andrew Johnson to commit himself to an eight-hour law for the District of Columbia, though this had already been proposed several times in Congress. Six states, however, soon passed such laws, but they had little effect immediately because they permitted workers to contract for longer hours if they chose.

Already by the time of the next annual convention (1867), the drift of the National Labor Union away from economic objects of workers was apparent. Demands were now for broad reform, through congressional legislation, in the interest of the "producing classes," which embraced not only industrial workers, but farmers and small-business men. Ten farm delegates were present. The general fall of prices, amounting to 25 per cent in three years, was now felt by agriculture. Co-operative production enterprises, notably stove foundries established by workers following unsuccessful strikes, had assumed greater prominence than co-operative stores, but these undertakings suffered from want of credit. These influences, plus the depression, turned the convention to a monetary program intended to benefit "producers" as against large capitalists and bankers. The greenbacks were being contracted. The convention, building on an old agitation, urged that the legal tenders should instead be expanded and lent at low interest on the security of land. This would reduce, or eliminate, bank money — notes and credits — the interest on which was regarded as exorbitant and which was declared to be the source of monopoly. This labor greenbackism was similar to

demands made later for "hundred per cent money," to be issued by government and intended to destroy the money-manufacturing power of bankers. It was in 1867 and continued for five years to be primarily a social reform proposal, and was only secondarily a means toward inflation. This demand for government loans to production had its modern counterpart in the Reconstruction Finance Corporation, furnishing funds to big business, and other agencies lending to farmers and small industrial enterprisers.

The agitation among workers for monetary reform did not persuade Congress to adopt their plan, but undoubtedly influenced the passage of a law in February, 1868, stopping the further contraction of greenbacks.

Competition from Immigrants

The organized workers found themselves beset at this time of depression by the competition not only of recently freed Negroes, of women, apprentices, and machinery, but also that of increased numbers of immigrants. An average of 300,000 foreigners had entered the country annually from 1850 through 1857; the depression beginning then cut the number in half until 1861, when the outbreak of the war reduced it further. But in 1863 the tide of immigrants began to rise again (176,000), and was 315,000 in 1867. Several causes were responsible for this growth of immigration toward the end of the war and immediately after. The English textile districts were depressed from lack of American cotton, crops were bad in Ireland, and many fled military conscription in Germany, where a war was in progress. On this side, the new Homestead Law attracted peasants to free land. Besides, the federal government welcomed immigrants as soldiers, maintaining recruiting tents adjacent to Castle Garden, the landing station in New York, offering attractive money bounties and promising citizenship in return for military service. Several American states sent agents to Europe to persuade immigrants to come to their farms and factories. Private employers brought in immigrants to build railroads or to break strikes.

In 1864, Congress provided a commissioner of emigration, and legalized contracts made abroad whereby foreigners, promised jobs in this country, engaged to pay back their passage money out of wages. Forthwith the American Emigrant Company was formed to seize this opportunity to supply the swelling demand for workers from foreign lands. It had more than half a million dollars of paid-up capital in 1865, and

its incorporators and sponsors were composed of prominent manufacturers, bankers, railroad companies, public officials, preachers, and editors. The company immediately established agencies in the northern countries of Europe, "to hire men in their native homes and safely to transfer them to their employers here." Skilled and unskilled labor for any sort of work could be ordered and was promptly supplied at low cost.

Of course, the National Labor Union recognized this as a menacing situation. The immigrants entered this country with their labor contracts for low wages and long hours already made, and for at least a year they were bound by these. It was alleged that American consuls were helping the Emigrant Company. The 1867 convention was riled by the instances of foreigners brought over to break strikes. A delegate was appointed to the next congress of the International Workingmen's Association and instructed to get the help of the organized European workers in protecting American labor standards by putting a stop to this prepaid emigration. The delegate was unable to go, but the protests of this and other conventions later led to repeal of the objectionable statute.

Another victory of the National Labor Union and its allied organizations was the passage of a law by Congress in 1868 establishing the eight-hour day for employees of the federal government. Some departments, however, reduced wages proportionately, a difficulty which was not overcome until four years later.

We may deal briefly with the remaining history of this first important national organization of workers. The delegates at the 1868 convention were said by the president to represent six hundred thousand unionists. Working women were now first represented, though this was principally through such middle-class reformers as Susan B. Anthony and Elizabeth Cady Stanton. A United States Department of Labor was first called for, and the following year the initial state labor bureau, that of Massachusetts, was actually established. The first permanent labor lobby was established in Washington. William H. Sylvis, leader of the Molders' Union, was now made president of the National Labor Union; his death in 1869 robbed the movement of its wisest, most practical, and most energetic servant; he was a combination of organizer and idealist.

Significant for the future was the appearance at the 1869 convention of four Negro delegates. They were alienated, however, not only by the refusal of white unionists to admit or work with Negroes (which several times during the war had caused riots), but by the condemnation of the Republican Party in which the Negroes rested their hopes.

Strong and temporarily successful political activity of organized workers appeared in two widely separated states, Massachusetts and California, both influencing the National Labor Union. In Massachusetts, on a greenback platform, twenty-two candidates for the legislature were elected. In California eight-hour and mechanics' lien laws were secured. In 1870 a California delegate to the national convention got through a resolution calling for exclusion of Chinese coolie labor; he was helped in this by the Crispins of Massachusetts (shoe workers), because a shoe manufacturer of that state had imported seventy-five Chinese all the way from California to break a strike.

With the return of better times in 1868 the more vigorous labor leaders dropped political and reform measures and returned to labor action, especially forming new national craft unions which progressively seceded from the National Labor Union. The latter attempted, after 1870, to be the center of a national labor party, thus declaring what had long been its manifest trend. In 1872 it nominated candidates for President and Vice-President of the United States, but made an abashed exit when its presidential candidate declined the honor.

Character and Conduct of the Knights of Labor

The Noble Order of the Knights of Labor was founded in Philadelphia in 1869 by Uriah Smith Stephens, who had turned from theology to school-teaching to tailoring, and who had seen something of the socialist labor movement in Europe. Fellow garment-cutters were his helpers in "Assembly 1." This organization, which within two decades was to become much the most important which American labor had formed up to that time, from the first had three characteristic features: (1) it was secret, with passwords, grip, and so on, and its very name was not disclosed until a dozen years later; (2) it allowed anyone to join, whether manual worker, professional man, or even employer, and thus most of the assemblies were mixed as to trades and callings; (3) its philosophy, later departed from in practice, was one of education to produce harmony between labor and capital by assigning to each its just rewards. To these was added a list of advocated reforms — broad principles influenced by socialism, agrarian (later Single Tax) land tenets, and producers' and consumers' co-operation. Particular recommendations were for legislation abolishing child labor and leasing-out of convicts, and establishing weekly pay, mechanics' liens, and a national paper currency without the intervention of banks. The Knights did not begin

to be effective until about 1873, and the depression explains these main features of the Order. Employers had taken the opportunity to destroy the national unions which had grown up during the war period by lock-outs and blacklists, and thus secrecy seemed a necessary method for unionists.

A strike illustrating the forces which moved large industrial employers and masses of workers during the depression was that of the anthracite miners of Pennsylvania in 1875. The strike leaders, mostly Irish, were branded by the coal companies and the American press as "Molly Maguires," and two years later almost a score of men, active in the labor uprising, were hanged in the anthracite region as "murdering Mollies." There was never any organization by that name in America. The term was taken from a society of Irish peasants pitted against English landlords, and was applied in this country by employers to unionists considered obnoxious, much as the term "Communist" has been used since. It was a means of condemning unions by identifying them with criminal acts.

Local and even national unions of miners had protested and struck at different times for a generation against evils under which the workers suffered. Wages were reduced whenever there was depression or new immigrants poured into the "patches," as the mining camps were called. Miners were compelled to trade at the high-priced company stores. They were given short weights on the coal they mined. Until a fearful mine fire cost the lives of one hundred and seventy miners in 1869, Pennsylvania had no mine inspectors, and even after this, poor ventilation, lack of extra exits, and defective timbering constantly endangered the workers. Excessive rents of company-owned shacks, child labor in some of its most oppressive forms, and the discipline of the Coal and Iron Police, a private army of the mine-owners with state authorization, were among other grievances.

The coal companies were mostly subsidiaries of railroads of the anthracite region which had monopolized mining properties. They typified the autocratic methods which capitalism was assuming, not only toward workers, but toward government and the public. After a strike of six months, marked by marches of miners through the district and by early use of mass picketing, their struggle was lost through hunger.

To make victory complete, the Anthracite Board of Trade, under leadership of the Philadelphia and Reading Coal and Iron Company, appears to have determined to destroy the power of the Irish miners. Pinkerton detectives, who were to bob up conspicuously fifteen years

later in the Homestead strike, had been engaged by the companies to spy on the workers. There is suspicion that some of the crimes to which they testified in the trials of "Mollies" were perpetrated by the detectives in the knowledge that it would be easy to pin blame on men who were active unionists. Months after the strike was over, men were arrested charged with killings and other serious crimes committed before the strike occurred. They were given trials which violated the safeguards of justice, and were hanged in numbers. The depression, even without persecution by employers, killed the trade unions, and so amalgamation of "producers" without trade distinction was natural.

The third characteristic of the Knights' program, education and reform rather than aggressive action on wages and hours, was inevitable in a period of severe unemployment and general economic frustration. Political action seemed preferable to industrial demands. Just as the membership was gathered indiscriminately from many quarters, so the "First Principles" were a catch-all of advocacies, previous and current, ranging all the way from a truncated Marxism to greenbackism.

Growth of the Knights of Labor was slow at first, and was further retarded by a contest between the local assemblies of Philadelphia and Pittsburgh to determine which should dominate, but in 1878 unity was achieved and membership increased rapidly. The constitution concentrated authority in a General Assembly under a Grand Master Workman, which assembly could change the fundamental laws, settle all disputes, and tax the members. This centralization of power was both an asset and a source of weakness — an asset because it gave the only uniformity of policy where the membership was diverse and undisciplined, and a weakness because undemocratic management prompted disappointed or aggrieved groups to leave the Order. The membership, as is bound to be true of inclusive associations with low entrance fees and dues, was a highly fluctuating one. Those gathered in were orphans of organizations which had gone to pieces, or unions in localized trades which had never had a national organization.

The expansion of the eighties, in conjunction with the depression in the middle of the decade, gave such an organization as the Knights of Labor a strong appeal for workers. Machinery was rapidly displacing hand labor, the factory system was established, there was a new class of the semi-skilled. Much of the recently constructed railway mileage had been of connecting and branch lines in the East, as well as of through lines to the West, which collected industries and their operatives in the cities, where they were more readily brought into unions. The whole-

saler (the anathematized "middle man") played off one manufacturer against another to get lower prices, and caused pressure upon wages. This was made greater by a doubling of immigration in this decade to more than five millions, many of whom were brought in under contract to work for little or even to serve as strike-breakers. The frontier was vanishing, so that "American labor was now permanently shut up in the wage system." As the small town suffered from competition with the city, and its agricultural vicinity was depressed, the local merchants and other business men were distressed, and even these in many instances joined the Knights of Labor. Monopoly had become the object of general resentment.

The Knights of Labor, because of such conditions, departed more and more from their conciliatory professions, and used direct methods of strike and boycott. Often the Knights did not begin these actions, but the union was brought into disputes in which workers found themselves involved without experienced leadership.

Strikes Under the Knights

In 1885 and following came successful, widespread strikes with assistance or under direction of the Knights. Notwithstanding the fact that by this time not only the semi-skilled but also the unskilled were strike participants, the Knights supplied organization and responsibility which stood in contrast to the mob violence of strikes a decade before. The most destructive of these earlier outbursts occurred in 1877 on railroads in Pennsylvania, Maryland, and neighboring states to the west. Depression was at its depth. Successive reductions of wages on the railroads caused spontaneous strikes at Martinsburg, West Virginia, and at Cumberland and Baltimore, Maryland. The local militia proved so ineffective, since they were unwilling to fire on their relatives and friends, that federal troops had to be called in to dispossess the strikers and their sympathizers.

The main trouble was at Pittsburgh. Here again the local militia was ineffective, and when troops arrived from Philadelphia the strikers, who were now but a part of a huge mob which had collected, set on the soldiers and drove them into the roundhouse, where they were besieged all night. Adjacent buildings were burning and threatened the roundhouse. The troops retreated from the city under fire. The mob was now entirely in control and burned cars and buildings to the value of $5,000,000 before the riot spent itself. Lesser outbreaks took place in

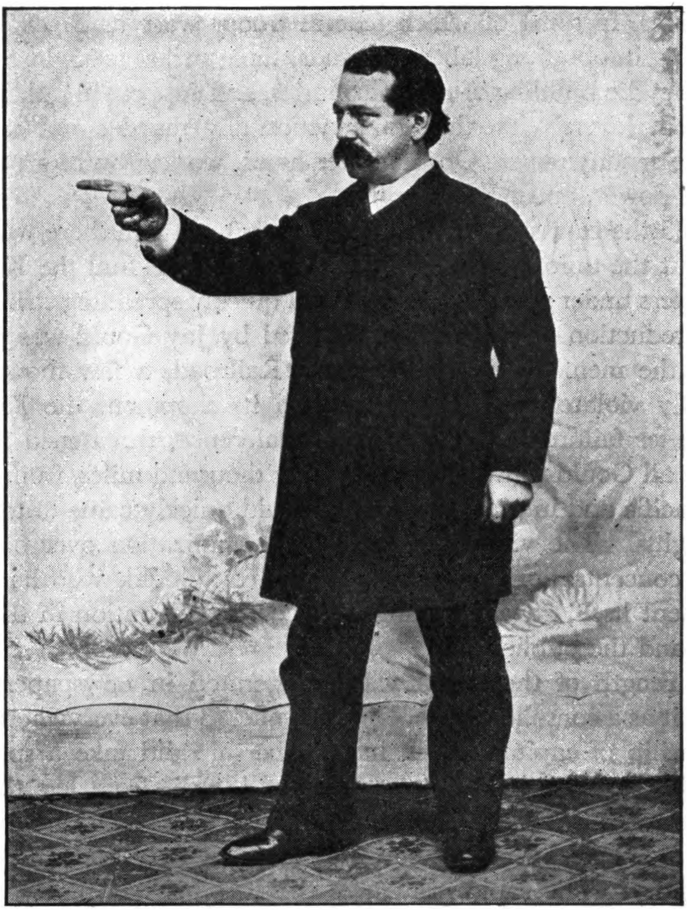
many cities, in some of which federal troops were used. So far from succeeding in obtaining labor demands, these strikes brought retributive legislation, the building of many armories, and support in public opinion for the employers' view that labor action and murder and arson were apt to be synonymous. On the other hand, workers were aroused, had felt their power, and never forgot it.

In 1885 the results of strikes were different. Again there was depression. But the unions — the Railway Brotherhoods and the Knights — had matters under control. A large and quickly spreading strike against a wage reduction on railroads dominated by Jay Gould was promptly won by the men. When the Wabash Railroad, a few months later, practically violated the settlement with its shopmen, the Knights of Labor, after failure of an attempt at conference, threatened a general strike on all Gould railways, some twenty thousand miles, from Chicago to the Pacific and in the Southwest. Gould quickly came to terms with the Knights. The victory of the labor organization over one of the greatest concentrations of capital, headed by Gould, who had flouted government itself, gave the Knights a new consideration in the eyes of workers and the public.

The strength of the union was exaggerated in newspapers, which pictured it as a consolidation of labor parallel to that everywhere evident in ownership of capital. Still, its membership did take a spectacular rise in the year following the summer of 1885 — from less than 1000 assemblies with some 100,000 members, to nearly 6000 assemblies with 700,000 members. Nothing equal to this had been seen in American labor history. The rapid growth of the Knights was partly owing to the popularity of the current demand for the general eight-hour day. In this crusade the rank and file and local organizers of the Knights were active, but Terence V. Powderly, the Grand Master Workman, and his associates at the head of the Order, were outwardly lukewarm and really in opposition. The eight-hour movement had its inception and main direction in what had already become a rival association, the Federation of Organized Trades and Labor Unions. This was later to be the American Federation of Labor. We must at this point say something of its beginnings.

Origin of American Federation of Labor

There had been repeated attempts at a federation of unionists. Calls for conventions had been issued, labor men somehow managing to



Keystone

SAMUEL GOMPERS

attend with patient hope, though the principles framed were destined to appear only on paper. The decisive failure had been an effort at Pittsburgh in 1876, which resulted in socialists being alienated by greenbackers, while those who wanted organization according to trade or craft were disappointed in the majority recommendation that all unite in a secret society under one head.

The desire for federation on the part of the national trade unions persisted, and when the depression was over, found its chance in a new conference called for Terre Haute, Indiana, in August, 1881. While the call was quite general, and the impulse back of it was an ill-defined

dissatisfaction with the Knights of Labor, discussion was led by trade-union men, skilled printers, cigarmakers, and molders. The first meeting led to a larger one in Pittsburgh the same year, to which came Samuel Gompers as a representative of the Cigarmakers' Union. He was thirty-one, born in London of Dutch-Jewish parents who had come to New York when Samuel was thirteen. Gompers, of great mental and physical vigor, had shown himself an exceptional organizer in his own craft. As chairman of the committee to frame a constitution, he insisted upon giving chief representation to national unions, with subordinate vote to local labor assemblies. Champions of unskilled workers insisted that room be made for labor unions as distinguished from trade unions, but the fact was to be that the Federation founded itself upon the skill and superior wages of craftsmen. Gompers was responsible for pledging the Federation against partisan politics, which had wrecked so many promising labor organizations. Members should vote for labor men and labor measures without respect to party. The Federation would concentrate on building the workers' economic power, and to this end drew up a list of legislative reforms of a specific nature (a uniform apprentice law, prohibition of contract labor, of child labor, repeal of all conspiracy laws). It emphasized also the importance of organization.

Members of the Knights of Labor, who had attended the Pittsburgh convention of 1881 in large numbers, did not reappear in subsequent years, and soon suspicion between the Knights and the Federation became open hostility, not very different from that which was to exist later between the American Federation of Labor and the Congress of Industrial Organizations. Each charged that the other was unfair, and tried to treat members of the rival group as scabs. An effort on the part of the Federation to get exclusive jurisdiction over nationally organized craftsmen was repelled by the Knights. Gompers wrote in his autobiography that trade-unionists entered the Order believing it to be an educational institution for the benefit of labor, but soon found that the local assemblies of which the Order was composed were primarily concerned with directing the affairs of labor regardless of labor's best interests.

The Federation found that its legislative program made little appeal, and most of the national unions did not affiliate. Gompers and Gabriel Edmonston, of the Carpenters' Brotherhood, sought to give it new life by having the Federation sponsor a movement all over America for the eight-hour day. Gompers got his idea from Ira Steward, the inveterate eight-hour advocate. This was in 1884, and the short day was to come

into effect, if possible, by May 1, 1886. Powderly, of the Knights, threw official weight against participation of his organization in the movement; it would result in strikes which labor did not have money to support. Though large numbers of Knights were active in the movement, the trade unions led the way, and gathered unexpected momentum. More than three hundred thousand workers took part, and two hundred thousand got shorter hours, some by means of strikes, some without. Many lost the concession later, but the movement to secure for all workers by union action what government employees had received by law in 1872 was destined to gather increasing force. The first national attempt in America was to be the origin of European labor's great annual celebration on May Day.

Chicago Anarchists

The drive for eight hours in 1886 would have been more successful had it not been cut short by the explosion of a bomb in Chicago. The afternoon of May 3, lumber workers striking for the shorter day held a meeting near the McCormick harvester factory, where there had long been a strike for union recognition. Strike-breakers coming out of this factory were attacked by some of the crowd; when police arrived they were in turn attacked, and killed four of their assailants. The next evening a meeting in Haymarket Square, called to protest, was addressed by leaders of the anarchist or syndicalist group, which had given the organized labor movement in Chicago a revolutionary turn, with a good deal of loose advocacy of violence. The meeting of the fourth had been orderly, despite the tense atmosphere. Most of those present, including the mayor of the city, had gone home when it started to rain. Suddenly, a column of one hundred and eighty policemen advanced on the small crowd remaining. Samuel Fielden, who was speaking, called out to the officer in command that the meeting was peaceable. At that moment a bomb exploded among the police, killing fifteen of them. After a trial characterized by a later governor of Illinois as unfair, leaders at the meeting and others of their group who had urged the use of violence were condemned to death. Four were hanged, others had their sentences commuted to long prison terms.

The popular suspicion of labor organizations which followed the Chicago tragedy widened the internal cleavage of workers. The Knights wanted to claim the skilled in order to give greater strength to the semi-skilled and the unskilled. The skilled craftsmen, on the other

hand, resolved that they should "strictly preserve their distinct and individual autonomy." They wanted to save themselves from being pulled down "by the introduction of machinery, the subdivision of labor, the use of women's and children's labor and the lack of an apprentice system." They rejected the plea of the Knights "that the time has come, or is fast approaching, when all who earn their bread *by the sweat of their brow* shall be enrolled under one general head. . . ." When the Knights refused to give up jurisdiction over — that is, the right to organize and collect dues from — the skilled, well-paid workers who had a sense of craft identity, the trade-unionists in and out of the Federation of Organized Trades and Labor Unions met at Columbus, Ohio, in December, 1886, and merged in a new American Federation of Labor, of which Samuel Gompers was elected president.

The Knights had a membership of 700,000, the Federation of 150,000. For the remaining 100,000 trade-unionists not affiliated, a rancorous fight ensued between Knights and Federation, with all the weakening effects which are inevitable when groups of organized workers, instead of resisting the encroachments of employers, try to discredit each other. Employers' associations, taught partly by the diligence of labor in organizing, were formed in numbers to fight unions. Employers' weapons were the blacklist; the ironclad (later known as the "yellow-dog") contract by which workers were taken on only after engaging not to join a union; discharge of the organized; use of Pinkerton detectives, and widespread lockouts. In this vigorous counter assault of employers, the Knights were greater sufferers than the Federation of Labor. Their mass methods drew attention, and the Knights, although they had much the larger membership, were more vulnerable because composed of the less skilled, the financially less able, and the less disciplined. The Knights had conspicuous losses of members in 1887, particularly in the large industrial centers, and faded into an association of small-town and farm people, unable to take aggressive economic action, and ready to join in such political enterprises as the People's Party.

The American Federation of Labor, on the other hand, from small beginnings made rapid progress in membership and influence. Annually, except once, it elected Samuel Gompers its president until his death forty years later. The single exception was in the depression year 1894, when Gompers's distrust of directing the energies of the Federation into politics brought his defeat at the hands of socialists combined with other opponents. The convention of 1893 had recommended to affiliated unions a program including "the collective ownership by the people of

all means of production and distribution." While the Federation as such did not endorse any party, large numbers of labor men ran for office, mostly on the Populist ticket. The results were disappointing to these individuals, and, Gompers declared, disruptive of unionism. Under him the organization stuck to the purpose which formed the slogan of a little labor paper he had edited, "For higher wages, shorter work hours and better working conditions." He believed in "business unionism" or "unionism pure and simple," which is to say, acceptance of the prevailing capitalist system and the attempt to get as much as possible of the joint product of management and men for the men. The policy of the Federation from the first, with few departures, was economic, not political; protective, not revolutionary; opportunist, not doctrinaire. Benefit funds in the unions for strike, unemployment, and old-age payments encouraged this conservative policy. Agreements with employers, afterward with machinery for their interpretation and enforcement, were desired. Strikes and boycotts were used reluctantly to procure or maintain this treaty status.

The American Federation of Labor Organized Skilled Workers

The American Federation of Labor is really a *con*federation of national, or, where there are some locals in Canada and Mexico, "international," unions. The central or connecting body organizes locals and national unions, decides disputes between member unions, may appeal to the constituent unions for assistance to approved strikes, and represents the organization before Congress and state legislatures. In all essential respects, autonomy lies with the national unions. Historically, the Federation has embraced the skilled workers, those best able to support their unions with substantial dues, and most readily protected in their jobs. Despite generous gestures from time to time and much important propaganda, both national and international, in behalf of the unskilled, the Federation for fifty years did little to organize women, Negroes, immigrants, mass-production workers, or casual laborers. Gompers described an early meeting of Federation delegates: "It was an impressive gathering of men of good presence and exceptional ability. Practically every man wore a silk hat and a Prince Albert coat. Each was a dignified and self-respecting journeyman who took pride in his trade and his workmanship." Exceptions were numerous, but this remained the prevailing type.

Not until recently, and then too late for its own good and the unity

of the American labor movement, did the Federation remember a warning given by the Knights of Labor to a union of skilled workers who wanted to withdraw for separate action:

> With . . . skill of hand, guided by intelligent thought, comes the right to demand that excess of compensation paid to skilled above the unskilled labor. But [in a machine age] the unskilled labor must receive attention, or in the hour of difficulty the employer will not hesitate to use it to depress the compensation you now receive.

In Britain business unionism — disciplined, successful, selfish — refused to hearken to the cries of the unskilled until the nineties, when the movement was rejuvenated and given political as well as economic force by embracing them. In this country the demand of mass-production workers in industry, agriculture, and trade to be organized without respect to craft lines, which were blurred or nonexistent, did not become critical until a generation later. Then the Federation being slow in response, a new grouping came into force under the Congress of Industrial Organizations. This later struggle between the American Federation of Labor and the Congress of Industrial Organizations will receive our attention farther along. It is enough to say now that it was to duplicate much of the contest between Federation and Knights of Labor.

The movement for the eight-hour day was revived by the American Federation of Labor at its 1888 convention. The plan at first was to make it a demand on the part of all unions on May 1, 1890, and preparatory educational work, to reach both unions and the public, was done through pamphlets, mass meetings, and organizers. As the time approached, it was determined to concentrate support behind the strongest national union, that of the carpenters. When the carpenters had won the eight-hour day, the United Mine Workers would follow with the demand, and so one union after another would achieve the goal. As a strike fund to assist the carpenters, an assessment of two cents per week was levied on all members of affiliated unions. The carpenters were generally successful, but for a variety of reasons the relatively weak miners did not come forward in their turn, and the concentrated demand lapsed for the time. Some unions thought the ideal of the eight-hour day unattainable. As in 1886, the Knights of Labor refused to espouse the cause. The depression which soon followed, with its unemployment, seemed a blow to the effort.

The history of the shorter work day, however, shows that widespread unemployment is the main force making for reduced hours. Ira Stew-

ard's view had been that shorter hours would raise the standard of living of workers, strengthen their organizations, and lead to higher wages. Unemployment shifted the argument to the "make work" theory. This was specious in many of its manifestations, but gradually, through the years, public and government came to assent to the view, picturesquely stated, that "so long as there is one man who seeks employment and cannot obtain it, the hours of labor are too long." In periods of unemployment, the imbecility of requiring those with jobs to labor long hours while a large part of the population was not permitted to work at all, was evident to the dullest. Similarly, the long and bitterly opposed crusade for abolition of child labor was destined to be successful when the absurdity of putting children in factories while adults could not get jobs was recognized. The enormous unemployment following 1929 put the force of the federal government back of both objects — the shorter day and prohibition of child labor — so that the six-hour day and the five-day week seemed closer than did the eight-hour day fifty years before.

We may mention only a few further episodes and developments in the relations of capital and labor, and within the labor movement itself. Progress has been toward the trade agreement, signed between organized employers and organized workers, preferably over a wide industrial and geographic area. This has been the chief object of collective bargaining, to which the "closed shop" as a demand of unionists has been auxiliary. Collective bargaining at length received the sanction of federal statute, first in the National Industrial Recovery Act of 1933, then in the National Labor Relations Act of 1935. It is not compulsory that bargaining between men and management result in agreement. If an agreement is reached, it still may not be enforceable at law, but the employer is compelled to negotiate with representatives of his organized workers in good faith.

Significant Strikes

This "constitutionalism" has not been arrived at without prolonged and violent struggles between capital and labor. On the one hand, these have encouraged socialist, and, to a less extent, syndicalist, belief that the only solution lies in a thorough reorganization of society. On the other hand, they have taught public and government the expediency of the establishment and maintenance of working rules as between employers and employees.

We may notice some of the incidents in this development. The years 1892 and 1894 marked significant labor contests. The Homestead strike, in the summer of 1892, was a trial of strength between one of the most powerful industrial combinations, Carnegie Steel, and one of the most competent unions, the Amalgamated Association of Iron and Steel Workers, with twenty-five thousand members. Three years before, H. C. Frick had become chairman of the corporation. The union had always been able to make agreements while Andrew Carnegie was in control, and likewise had agreements in other mills of the Pittsburgh district. But Frick was known as an anti-union employer. When a new wage scale was to be negotiated in 1892, the company demanded more reduction than the union would agree to, and the resulting strike, the men felt, was for preservation of their union. Within a week, Frick had brought in three hundred Pinkerton private guards, who were towed up the Monongahela River to the plant on barges at dawn. The strikers gathered on the bank to prevent their landing. A dozen on barge and bank were killed and many wounded before the Pinkerton force withdrew. Militia arrived and remained while the strike continued, men from other mills joining in sympathy. But funds were exhausted, winter came on, and the strike was lost. Moreover, the union was destroyed in the whole Pittsburgh district, which became and for forty years remained notoriously anti-union. Two other major struggles had to occur in steel (1919-20 and 1937) before unionism received recognition.

The corporations could get government on their side. This was shown in the silver mines of the Coeur d'Alène district of Idaho, where federal troops maintained martial law following a pitched battle between union miners and strike-breakers. The loss of the strike, which was against repeated wage cuts, was laid to the military rule. That same summer Tennessee coal miners, organized in the Knights of Labor, reasserted their old grievance against the competition of leased convict labor. The year before the miners had driven the convicts out of the pits, but let them come back temporarily on promise of a revision of the leasing system. This the legislature, controlled by the mining corporations, refused to concede, so in 1892 the union miners again set prisoners free by the hundreds at Tracy City and elsewhere, and then fought the militia, which had long been stationed in the district. But the union lost. In Buffalo the striking railway switchmen, when state troops had been brought in to permit the movement of trains in the yards, appealed in vain to the national officers of the railroad brotherhoods to strike with

them. The defeat of the switchmen called attention to the need of greater solidarity between organized workers in the same industry.

The logic of industrial unionism — binding the sticks together in a strong bundle — was promptly expressed in the formation of the Western Federation of Miners and of the American Railway Union. The latter was organized by Eugene V. Debs, who had been secretary-treasurer of the Brotherhood of Locomotive Firemen. In 1894 this union, embracing railway workers of every description, had 150,000 members, and had won a strike against the Great Northern. When the union held its second convention, in Chicago in June, it resolved to assist the workers of the Pullman Palace Car Company, who were striking against the excessive paternalism of the company town and against a wage reduction. Members of the American Railway Union refused to handle Pullman cars, and so found themselves in conflict with twenty-four roads centering in Chicago.

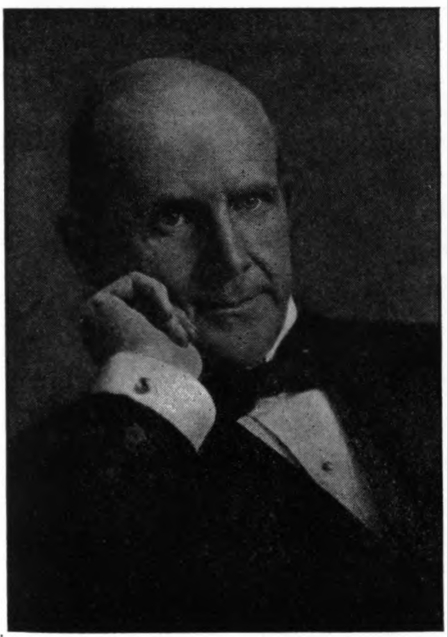
Failure of Pullman Strike

They stopped traffic in that city and crippled it in a larger area until President Cleveland ordered federal troops to the scene, ostensibly to insure movement of the mails. While there was much violence on the part of irresponsibles, the governor of Illinois protested against the entrance of the soldiers, and labor men believed that Cleveland's action was aimed at labor's rights. Early in July, Debs and other officials were arrested and held under bail. A week later Gompers called a meeting of American Federation of Labor chiefs in Chicago to consider an appeal from Debs that the Federation enter into a general strike. Gompers and his associates reasoned, however, that "against this array of armed force and brutal moneyed aristocracy" it would "be worse than folly to call men out on a general . . . strike in these days of stagnant trade. . . ." The strike was being beaten. Gompers presented to the Railroad Managers' Association an offer of the men to return to work under the old conditions, but this was rejected. Debs was sent to jail for a year for contempt of the United States court in disobeying an injunction which practically forbade his carrying on the strike. This was the end of the greatest labor contest since that of 1886 for shorter hours.

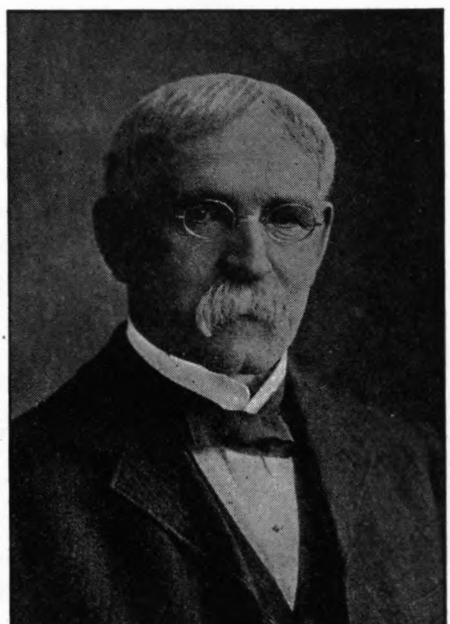
The Pullman strike and others of the early nineties brought a crop of statutes and court decisions which restricted union action. The injunction underwent refinement which tied the hands of union leaders,

and, in the form of the "blanket injunction," practically embraced anyone who, knowing of the court order, even though not directed to him, did anything to assist strikers. The old common-law doctrine of conspiracy was combined with the injunctive process to make it illegal for any to conspire maliciously to interfere with the "probable expectancies" of an employer in his ability to secure workers or customers. Workers felt that this was a perversion of the law at the behest of employers. The method was rendered more obnoxious from the workers' standpoint because violation of an injunction resulted in trial for contempt of court, not before a jury but before a judge alone. Also, contrary to the first supposition, labor unions were successfully prosecuted under the Sherman Anti-Trust Act of 1890.

These developments, in a period of depression and labor frustration, gave new life to the demands of some leaders of unions for political action on the part of organized workers. This was withstood with difficulty by the majority who clung to purely economic methods. It did result, as we have noticed, in deposing Samuel Gompers from the presidency of the American Federation of Labor in 1894 for one year. The political urge — conservative unionists and others considered it revolutionary — was to reappear again and again, especially during depression,



EUGENE V. DEBS



TERENCE V. POWDERLY

and was to have its most effective trial in the presidential election of 1936. The immediate result in the nineties was that the Knights of Labor vanished in a third party attempt, while Debs became the encourager of inclusive unionism in the short-lived Western Labor Union and the American Labor Union, and was repeatedly the eloquent Socialist Party candidate for President of the United States. He was sent to the Atlanta Penitentiary after the United States entered the First World War for a pacifist speech. "Practical" labor men, typified by Gompers, while esteeming him, regarded Debs as emotional and lacking in judgment. On the other hand, millions acknowledged him America's foremost pleader for social justice, and a martyr. Other leaders of labor with some of Debs's purposes were Daniel DeLeon and William Haywood. DeLeon was a Columbia University law teacher who organized the Socialist Trade and Labor Alliance, which sought to combine industrial and political action. For a time it successfully attracted workers in textile and other areas from membership in the American Federation of Labor, of which it was a rival. Haywood became leader of the Industrial Workers of the World, an offshoot of DeLeon's movement. It became prominent in 1912 and was syndicalist, designed as "one big union" of all workers, but appealed particularly to the unskilled factory workers of the East and the casual laborers of the West. It opposed political action on the one hand as strongly as it refused agreements covering working conditions and other collaboration with employers on the other, placing its faith in the unified power of strikes.

As a result of such counter-attempts, the American Federation of Labor from time to time gave attention to organization of the less skilled. It attached to itself in mixed locals workers who were in process of formation into national craft bodies, and it came to embrace a number of unions of the industrial as distinguished from the craft type.

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Chapter 31

The Southern Industrial Revolution

ONE CONSEQUENCE of the Civil War was the successful beginning of manufacturing in the South. The foremost advocate of industrialization of the South before the war had been William Gregg (1800–67). Born in Pennsylvania of Quaker stock, he was early left an orphan and was taken in charge by an uncle, a watchmaker of Alexandria, Virginia. The uncle on the eve of the War of 1812 took advantage of the opportunity to supply domestic manufactures by building a little cotton mill in Georgia and here William gained some acquaintance with the business until the enterprise failed from the competition of cheap British goods after the peace. William Gregg served his apprenticeship as a silversmith, established himself in Columbia, the capital of South Carolina, and in 1837 retired from active business with a fortune, to live in Charleston. The panic and depression did nothing to content him with what he now observed of Charleston's leadership of the state in banking, commerce, and politics. People were abandoning South Carolina for the fresher lands of the Southwest and West. Taught by his experience in rescuing a small cotton mill in the up-country, he concluded that the manufacture of the staple, as a complement to its cultivation, would be the means of lifting his and other old cotton states out of their impoverishment, lethargy, and ignorance. This idea became more concrete to him when, in 1844, he made a visit of inspection through the textile districts of Pennsylvania and New England.

He immediately began a series of articles in a Charleston newspaper urging the encouragement of "domestic industry," by which he meant manufactures in South Carolina. In order "to renovate the fortunes of our States," he said, it would be well "if we were not so refined in politics — if the talent, which has been, for years past, and is now engaged in embittering our indolent people against their industrious

neighbors of the North, had been with the same zeal engaged in promoting domestic industry and the encouragement of the mechanical arts." South Carolina's economy suffered less from the North-imposed protective tariff than from exclusive attention to cotton-growing. This one-crop economy narrowed the uses of capital, exhausted the soil, and condemned thousands of the non-slaveholding whites to destitution and illiteracy. Gregg argued for "a total change in our habits" toward diversity of pursuits, popular education, and cultivation of "a good feeling among our people, for our Northern brethren." Charleston in 1836 had gone the length of forbidding the setting-up of a steam engine in the city limits unless by special consent of the council. Said Gregg: "The labor of Negroes and blind horses can never supply the place of *steam*, and this power is withheld lest the smoke of an engine should disturb the delicate nerves of an agriculturist; or the noise of a mechanic's hammer should break in upon the slumber of a real estate holder, or importing merchant, while he is indulging in fanciful dreams, or building on paper, *the Queen City of the South. . . .*"

Gregg immediately practiced what he preached by heading subscriptions to the capital of a cotton factory and persuading the legislature to incorporate the company with the grant of limited liability so as to attract a sufficient number of investors. The Graniteville Factory, near the present winter resort of Aiken, South Carolina, developing power from a bold creek flowing into the Savannah River, began operation in 1848. The entire establishment, large for that day, except for the machinery was of native material. Stone and lumber came from the place, and some three hundred workers (nine hundred all told in the village) from the poor farms of the vicinity. Gregg was president of the company, architect and engineer of the plant, active manager of the business, benevolent autocrat of the community.

Graniteville succeeding more than well in all respects, other mills were built in South Carolina and neighboring states, while writers and speakers joined Gregg in advising entrance of the South into manufacturing. It looked as though hopes that sectional antagonisms might be broken down by the spread of industry would perhaps be realized. But other mills did not succeed like Gregg's, and commercial conventions held in the South in the fifteen years before the Civil War veered more and more from advocacy of manufactures and railroads toward schemes to give the section more political security against northern encroachment. Victor S. Clark, speaking from unusual knowledge, has said that "Though some large undertakings were wrecked by the financial crisis of 1857 . . .

modern cotton manufacturing in the South dates from the founding of Graniteville rather than from the post-bellum period."

However, though the crisis was fortuitous, the war was not. The ties, economic and political, which bound the South to agriculture and slave labor, were at this time too strong to be severed by however enlightened advocacy, and remained to be broken only after military defeat, material exhaustion, and humiliations of the Reconstruction period. Gregg himself, discounting a utopian scheme for rapid industrialization of the cotton South, wrote to a friend that "to carry out such a revolution in our customs and habits and the application of labor as you and I are aiming to effect, will be the work of an age, and . . . neither of us need expect to see the work carried out." [1]

Cotton Mill Campaign

The industrial development of the South, in kind as well as in degree, dates from about 1880. The long depression had come to an end. The mere cultivation of cotton, since the crop had recovered its old volume, was no longer so profitable as when the price was high through scarcity. Reconstruction was past, and the attention of Southerners and of northern business men who might invest in the South need no longer be fastened on politics. Two Democrats, desperately backed by the South, had lost the presidency — Tilden in 1876 in a contested election, while Hancock in 1880 had been defeated fairly. The South began to forget motives of revenge and would emulate the economic advance so conspicuous in the North. It was seen that the road to sectional recovery and self-respect lay not through the White House, after all, but through

> the workshop, in the factory, in an improved agriculture and horticulture, in our mines and in our schoolhouses. There is where our fight lies now, and the only enemies before us are the prejudices of the past, the instincts of isolation, the . . . social infidelity which stands up in our day with the old slave arguments at its heart and on its lips, "I object" and "You can't do it."[2]

Another editor declared:

> Out of our political defeat we must work . . . a glorious material and industrial triumph. We must have less politics and more work, fewer stump speakers and more stump pullers. . . .

[1] The reader who is further interested in the most successful attempt at textile manufacturing in the ante-bellum South may be directed to Broadus Mitchell's *William Gregg, Factory Master of the Old South.*

[2] From the Columbia *Register*, quoted in *News and Courier*, Charleston, March 18, 1881.

Soon President Garfield's assassination, calling out real regret in the South, did much to break down sectional distrust and animosity.

The obvious opportunity was in manufacture of the South's great staple, cotton. The factory boom which got under way about this time had as its slogan, "Bring the cotton mill to the cotton field." Advocates now reverted to what had been said a quarter of a century before but had gone unheeded, that "there is but little more reason in taking cotton and food from three to six thousand miles, to be ground in a mill of simple construction into *coarse* cloth, than in taking . . . soil to the shop of the plowmaker." Said a Charleston editor:

> The point on which we lay the most stress is that, to the extent in which cotton . . . produced in South Carolina is manufactured in the State, the whole of the profit from that cotton, from the first stage to the last, remains in some form within the State for the benefit of its people. Where the cotton is produced here and manufactured elsewhere, South Carolina is in the position of furnishing the elements which make other communities rich; . . . we know that the wealth of New England is due to the profit made upon the manufacture of the raw material which the South supplies. . . .
>
> At present Charleston does nothing to increase the value of the cotton which comes here for sale. . . . The city lives on the pickings and scrapings. . . . Cotton mills change all this. A bale of raw cotton, worth forty dollars, is spun into yarns or cloth worth eighty dollars. There is the usual profit in buying and selling the cotton, and, in addition . . . Charleston gets forty dollars a bale, which goes into our purses. . . .[1]

The changes were rung on this theme, with an abundance of persuasive arithmetical calculations. The proposition that the cotton should be manufactured where it grew seemed more attractive to southern enterprisers since Edward Atkinson of Boston and other prominent spokesmen of the New England textile industry argued that the South would continue to find most profit in supplying the war material to mills outside her limits.

Southern newspapers took a leading part in urging industrial development of all sorts, particularly in cotton manufacturing. Most influential was F. W. Dawson, editor of the *News and Courier* of Charleston, an Englishman who had fought in the Confederate navy and army, and who drew on the lessons of his highly industrialized native country. "He did not tamely promote enterprise and encourage industry; he vehe-

[1] Another editor reported that "every Southern man is sure to prove to you that it is a dead waste to ship raw cotton to a mill 1500 miles away when it could be made into yarns and fabrics much cheaper in factories distant from the cotton field only a short half-day's journey for a mule."

mently fomented enterprise and provoked industry until it stalked through the land. . . ."

The Atlanta Cotton Exposition, held in 1881, unexpectedly did more to popularize opportunities in southern manufacture of cotton than in better methods of growth and handling of cotton which it was chiefly designed to promote. Northern machinery makers sent exhibits which resulted in the sale of $2,000,000 worth of equipment. The lesson was conclusive when "the governor of Georgia appeared on the grounds dressed in a comfortable suit of cottonade manufactured on the premises from cotton picked from the bolls the same day in sight of the spectators." Other smaller expositions were promptly held in Raleigh and New Orleans.

How Mills Were Established

Communities all over the South, but especially in the Carolinas and Georgia, now vied with each other in promotion of cotton factories. The chances of profit seen by enterprisers soon materialized very generally, and reports of successful mills encouraged others. Private profit was not unmixed with public philanthropy in appeals to investors. Cotton factories would give employment to the idle poor whites who were scratching a miserable subsistence on the land. These belonged to the class disinherited by the old slave economy and which now for the first time excited widespread public notice and sympathy. At Salisbury, North Carolina, an evangelist, holding a religious revival in the cotton warehouse, left the beaten track and captured attention by proclaiming that the morals of that town would not improve until the people had work. He demanded that deacons and others with means build a cotton mill to employ the poor of the neighborhood and he got immediate action.

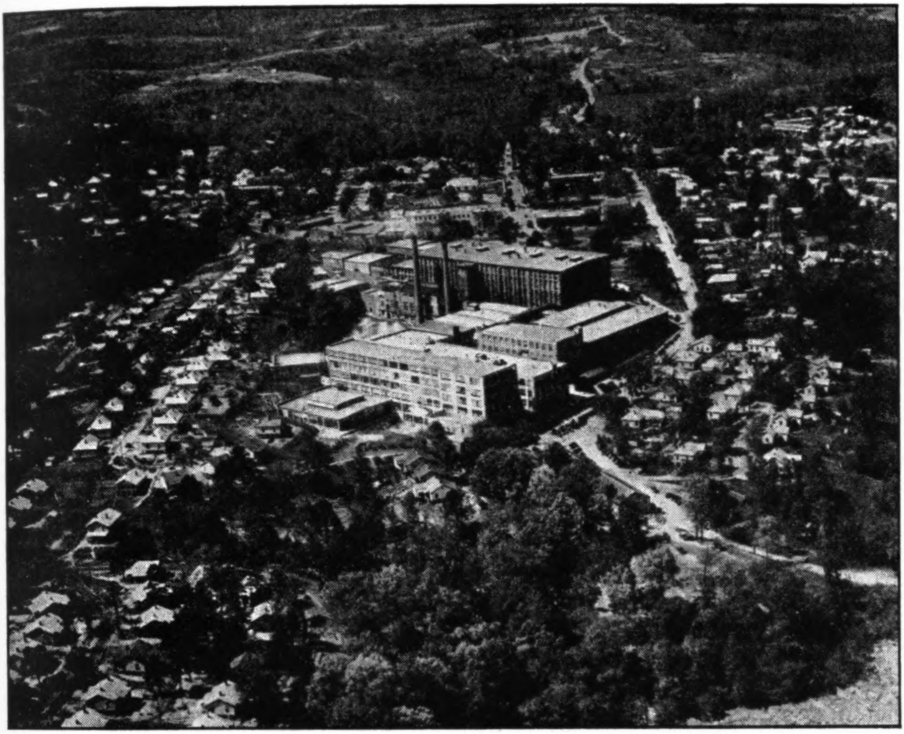
This labor made its appeal because it was as cheap as it was needy. Of all the factors contributing to the success of the southern cotton manufacture — nearness to raw material, abundant power, low taxes, new machinery, sites low-priced or donated — that of low wages was for two generations the chief. After the initial years the native labor was as efficient in the making of coarse yarns and goods as that to be found anywhere. With much to be said to the contrary, the industry was founded and sustained on exploitation of workers who were almost or quite destitute, who had few other chances of employment except in cotton factories, and who were in surplus supply for these. More

workers could always be drawn from the upland and tenant farms. Coming from the country and thankful to have jobs, for years they knew nothing of labor unions, and later were afraid to listen to union organizers. Often organizers were not able to break through the barriers of owners' opposition, company towns, sectional animosity, and police and local courts in league with factory managements. A large proportion of the workers in the beginning and for many years afterward were children, impossible to organize. Women, always making up a large percentage of the workers in the industry, for a long time and for many reasons made no demand for better wages or shorter hours.

The typical history began when a local community determined it would have a cotton mill. All possible capital there and near-by was scraped together to erect the building. Mechanics stood ready to pay their subscriptions by carpentry work or laying bricks. The poorest people paid their shares in weekly installments. Frequently a farmer would give a field as site for the plant. A leading citizen — no matter what his occupation — had been elected president of the company. With the local banker and perhaps a merchant who bought goods in the North, the president would visit firms in Baltimore, Philadelphia, and New York that sold cotton goods on commission. In return for the business of the projected mill, one of these would invest cash which supplied working capital. Then the Southerners would propose to makers of textile machinery in New England that they accept stock in the mill in payment for equipping it. As the mills were generally notably successful, many of them making 50 per cent profit the first year of operation, the commission merchants and machinery manufacturers found the arrangement satisfactory. The rise of the southern textile industry would hardly have been possible without the prosperity which prevailed throughout the country in the early eighties.

Drift of Textile Industry to the South

Seventy-eight new cotton mills were built in the South between 1880 and 1890, with 162 more by 1900. In these two decades active spindles increased from 561,000 to 4,368,000. Most of the early mills relied on water-power. Now many towns which did not have this resource wanted to start factories, so they turned to steam. Most southern mills had company-owned towns built for the accommodation of the workers drawn in from farms. At first most of these were drab, but as years passed mill towns laid out by landscape architects were physically



Keystone

SOUTHERN COTTON MILL AND VILLAGE

attractive. Their welfare facilities, such as health clinics, social clubs, libraries, swimming pools, cooking and sewing classes, all supported by the mill-owners, raised the standard of living of workers who had led a barren and lonely existence on the land. These welfare services in the company town were later used by mill managements to maintain a sort of industrial feudalism in which the right of the workers to organize into unions to get shorter hours and better wages was discouraged or denied. This policy at length contributed, in the nineteen-twenties and thirties, to its own undoing. The lower labor costs prevailing in the South persuaded northern textile manufactures to move down to that section. With this development, unionism, from several causes, made real progress in the southern textile districts, and soon powerful sanctions appeared in the National Industrial Recovery Act, the National Labor Relations Act, and the Fair Labor Standards ("Wages and Hours") Act.

In 1925, costs of cotton manufacturing in the South, all things considered, were almost 15 per cent lower than in New England, the oldest

seat of the industry; of this saving of some $5.60 per spindle per year, lower labor costs in the South were responsible for two thirds. Average wages in leading New England textile states were 50 per cent higher than in leading southern states. Southward drift of the industry from long-established centers in New England and the middle states now became pronounced. In the five or six years following 1923 perhaps $100,000,000 were invested in the South in new plants or in purchase of old ones. By 1925 the South had passed New England in number of active spindles.[1]

In 1926, the South's 814 cotton mills contained 48 per cent of all the spindles in the country, but more significant is the fact that its 17,612,000 active spindles were 57 per cent of the nation's total. The cotton-growing states now turned out more than half the country's cotton goods measured by value ($929,107,000), accounting for two thirds of the American consumption of American cotton. North Carolina, South Carolina, Georgia, and Alabama, in that order, were the leading southern cotton manufacturing states. Knit-goods manufacture, in some instances using Negro operatives, was added to older branches of the industry, especially in North Carolina and Tennessee. The multiplication of finishing plants (bleaching, dyeing, and so on) lessened dependence on New England in that department. Rayon plants, some of the most extensive in the world, are located in Virginia and Tennessee.

Iron and Steel

We must speak of the development of other industries in the South. While this section had always possessed iron smelters and forges, a few of them respectable in size, the national importance of this industry dates from the founding of Birmingham, Alabama, in 1870. The Birmingham district has iron ore, coal, and limestone and dolomite for fluxes in closest conjunction. The main coal fields are the Warrior, Cahaba, and Coosa. Hematite or red iron ore is the chief reliance; the soft hematite, lying near the surface, has now been worked out, and recourse is had to the hard ore lying much deeper. While it contains 32 to 45 per cent of metallic iron, the phosphorous content (0.25 to 1.5 per cent) makes it unfit for the Bessemer process of steel manufacture,

[1] Between 1922 and 1926, the South gained 1,668,000 active spindles, while New England lost 2,413,000 and the remainder of the country 213,000. North Carolina gained 782,000, Massachusetts lost 506,000 spindles in place. Every southern state listed by the census in this connection gained in spindles, every New England and middle state lost. Between 1923 and 1926 spindle hours in the South increased by 7,919,000,000, while the increase in New England was only 1,439,000,000 and in the rest of the country only 223,000,000.

which was a serious disadvantage until the development of the open-hearth method.

In the South as elsewhere iron ore was long smelted with charcoal for the smelting fuel. Coke was first made in Alabama in 1854, and the next year was applied to foundry use, but was not employed on any large scale before 1876 when coke of native coal made pig iron at the Oxmoor Furnace in Jefferson County. The 1262 tons of pig made with coke in this year led to a total production of 3,000,000 tons by 1925. This progress was not without its setbacks. In the early nineties iron fell much in price because of the opening of the rich Lake Superior ore beds. Moreover, the demand was for Bessemer steel, for which iron smelted from Birmingham ores was not suited. The depression following 1893 brought a succession of reorganizations in the Birmingham iron companies. If the industry was to survive, southern pig iron must by some means be converted into steel. Help came in the increased price of pig iron in the late nineties and early nineteen-hundreds, and at the same time steel began to be made in large quantities in the Birmingham district by the open-hearth process. The domination of Bessemer steel was now removed. New companies were started, and old ones consolidated and improved their plants.

The revival was carried too far and too fast. In 1907, the panic year, the Tennessee Coal, Iron and Railroad Company (the largest producer in Birmingham), after great expansion had outstanding loans of $33,000,000 and was threatened with collapse. At the critical moment President Theodore Roosevelt assured the United States Steel Corporation that it would not incur prosecution under the Anti-Trust Act if it took over the southern enterprise; this it did for $35,000,000, thus preventing bankruptcy not only for a large company, but for a whole region. Formerly most raw foundry iron of the South was shipped out, but with the development of the section it was demanded at home, being worked up principally into water and gas pipe.

Tobacco, Cottonseed Oil, Furniture

The Civil War destroyed many of the small tobacco factories of the South, the number in Richmond being reduced from fifty to thirty-eight and in Lynchburg from thirty-five to sixteen. The war period saw smoking, especially of cigarettes, gain in popularity over chewing. The soldiers particularly liked the sweet, light tobacco grown in the district around Durham, North Carolina, later sent back for it, and carried far

and wide the news of its virtues. Its manufacture grew in the seventies despite depression. The heavy taxes retained for a time after the war favored those manufacturers who had more capital and could extend their operations. The cigarette industry entered a new development with the introduction of machines which displaced the hand-rollers. Elsewhere in these pages the story is told of how the Dukes at Durham, more especially the younger son, James B. Duke, set the pace in a cigarette war between rival large manufacturers until five leading firms were forced into combination with Duke at the head. As the American Tobacco Company expanded to embrace every branch of the industry, southern plants were drawn in, modernized, and integrated with the rest.

Still, wages in the southern tobacco factories remained intolerably low. The old plug-tobacco plants had employed Negro men in the manufacture proper and Negro women in the preparatory process of stripping the leaves ("stemming"). With the greater development of cigarette factories white labor became predominant. In 1905, in Virginia, North Carolina, and Kentucky the average annual wage of men was $272, of women $183, and of children $119. North Carolina long continued to have 20 per cent of child workers in the industry. This state came to occupy a commanding position and by 1925 produced 35,000,000,000 more cigarettes than New York, its closest rival.

Cotton seed was long treated as a waste product, accumulating about the gins in rotting heaps or being thrown into streams, though some was used for fertilizer and stock feed, and very early oil had been pressed from it experimentally. The cottonseed-oil industry was begun on a commercial scale shortly before the Civil War and was firmly established by 1880, when five per cent of the seed was crushed. The industry grew rapidly as new and larger uses for its products developed. The cottonseed-oil mills attracted much of their capital from outside the South, though southern engineers, notably Daniel A. Tompkins, who did even more for the textile mills, figured prominently in the development. In contrast to the textile factories, oil mill workers were mostly Negroes. Besides oil, the industry produced cottonseed cake, hulls, and meal, with linters (short fibers of cotton not removed from the seed by the ordinary ginning process) finding many important uses, especially in the manufacture of rayon.

Furniture manufacture began relatively late in the South. The first plant was built at High Point, North Carolina, in 1888, and this state had six factories by 1900. Since the Piedmont district had at hand hard woods, cheap labor, and excellent railroad facilities, the industry

expanded in North Carolina, Virginia, Tennessee, and Georgia. When costs of raw materials advanced with thinning of local supplies and labor became more skilled, better grades of furniture began to be made, and High Point became a marketing center competing with Grand Rapids, Michigan, and Jamestown, New York. The southern industry benefited from the general prosperity of the twenties, with its device of installment buying.

With the growth of industry in the South that section, so long exclusively agricultural, came to have its own interest in protection. It is to the history of the tariff from the Civil War to the first World War that we now turn.

High War Tariffs Continued

After the Civil War the other financial expedients of the national crisis were done away with, but not so the tariff. Nearly all the internal revenue duties were repealed; the greenbacks, after a decade of debate, were to be redeemed. But the war tariffs remained, gathered new sanctions, rose to greater heights, and were more and more elaborated to the selfish advantage of manufacturers. Protection became a vested interest of the most profitable and permanent sort, supported as it was by the Republican Party, which was made dominant by the Civil War. The school of Henry C. Carey, the Philadelphia economist, and of Horace Greeley, the New York editor, high priests of protection, now had its inning. But these advocates were of purer motives than the manufacturers and lobbyists who stepped in to profit by what had become the confirmed national policy. The principle of protection had earlier been advanced, wisely or not, in the public interest. But the practitioners thought of their private benefit. Selfish men, beginning with the war tariffs, persuaded others, and often themselves, that they were the instruments of national economic strength, and that the tariff which shielded them against foreign competition protected the American workers and consumers. Industries which had been established and expanded under protection regarded continuance of the policy as a national commitment to them.

But, as we shall see, conditions which had once recommended protection were passing, and new forces were coming into play which rendered the tariff increasingly ineligible. Chief of these was the restriction of competition through the economies of large-scale production and consequent concentration of control of industrial capital. The

theory had been that enjoyment of the home market would call new enterprises to domestic production and thus furnish full employment and abundant output at little more than the price of the foreign article. But when domestic competition was narrowing anyway, protection served further to foster monopoly and near-monopoly. This "time lag" — failure to recognize when a principle or device is no longer applicable — still plagues us. American protectionism in the twenties and early thirties, by discouraging international economic interchange and provoking retaliation in other countries, contributed to the ills of the world.

The high protective rates of the Act of 1864 remained in force, with little change, until the next general revision of the tariff in 1883. In the intervening twenty years the two main forces working for reform were David A. Wells, special commissioner of the revenue, 1866–70, and western members of Congress who considered that agricultural depression (of which the Granger movement was a result) demanded reduction of government largess to industry.

The familiar blue revenue stamps on packages of tobacco are a device suggested by Wells, one of the ablest, most candid economists who has ever served the government. His *Report for 1869* is a means of understanding the troubles in trade, currency, prices, and taxes which followed the Civil War. Wells asked the question, How could a free labor economy, purchased for the whole country with so much blood and wealth, flourish and not be sacrificed by wrong policies? He estimated that in eight years of war and its aftermath, the direct and indirect costs had been $9,000,000,000, of which $2,700,000,000 had been expended by the Confederacy. "This, then, was the cost of the destruction of slavery; the cost of compromise. . . . It is three times as much as the slave property . . . was ever worth." Wells found that in spite of the remarkable recovery of North and South from the war, there were many signs of retardation as compared with what might be accomplished. A heavy balance of foreign trade against us was being met, temporarily, by sale of American securities abroad, but the day of reckoning would come when these debts must be paid and the balance redressed by export of goods.

This only possible solution was postponed (1) by the withdrawal of productive effort in favor of mere trading and speculation encouraged by currency inflation; and (2) by the senselessly high protective tariff, which, combined with fiat money, raised the prices of our goods to the point where they could not be sold abroad. While there was full employment, workers were restless and slowing down in their output,

"because a vicious currency and unequal taxation take from the laborer a portion of the result of his work, and give him no return." Strikes could best be stopped by restoring to the worker "good money, and honest measure of value." Wells deplored the emergence of semi-monopoly, which was the enemy of a democratic economy. In words which sound modern he condemned "the rapid concentration of the business of manufacturing and of exchanging into single and vast establishments, and the utter annihilation of thousands of little separate industries, whose existence was formerly a characteristic of all the older sections of the country." And further, "The agitation which now pervades all civilized countries . . . is but the instinctive uprising of the great productive classes against the institutions, methods, and devices of the non-productives" who cunningly controlled government and business in their own selfish interest. This exploitation was beginning to be self-defeating, because restricted consumption was bringing industrial shut-downs.

"An inflated irredeemable currency, and excessive and unequal taxation" (high tariffs) were impoverishing the masses, interrupting the development of industry, and destroying foreign commerce. Most farmers producing staples sold them in an unprotected market but bought in a highly protected one. The excessive war tariffs (in 1869 averaging 47 per cent), which manufacturers of such things as pig iron and woolens would not relinquish, were throttling both production and consumption. The country must reduce the tariff to a revenue basis and contract the currency "without artifice or indirection." Wells foresaw that unless a deliberate, orderly end was put to inflation, there would be more disastrous contraction through "commercial disaster and industrial distress," which soon arrived in the depression of 1873. The problems of the country, as Wells saw them in 1869 in the backwash of war, were closely joined. Paper currency must be reduced so that prices would be lowered so that foreigners could buy of us. Revival of our export trade and restoration of specie payments went together, because gold would not remain in the country so long as we had a surplus of paper money and an adverse trade balance. But efforts of antagonists of protective duties were unsuccessful, partial, or temporary. The moderate revision which Wells framed was defeated in 1867 when it seemed on the way to passage, so that the protectionist lobby gained in assurance. However, revenue duties on tea, coffee, sugar, and the protective duty on pig iron were lowered in 1870.

In 1872, the protectionists chose to support a Senate bill making a

10 per cent reduction in protective duties, rather than suffer a House measure which cut much more deeply. Also, the Act of 1872 put important revenue articles, coffee and tea, on the free list, thus answering the insistent demand for a reduction in the superabundant national revenue without hurting manufactures appreciably. This triumph of the protected interests was bad from two points of view. It simply shaved the taxes which consumers had to pay for the benefit of protected manufacturers, while making the real cut in taxes on revenue articles which went to the government. In the second place, the device of a horizontal reduction made it easy when revenue was falling off in depression in 1875 to restore the percentage thus lopped off. The result of it all was that government and the public were deprived, while the protected industries were injured not at all. In addition, at different times the protection on certain articles, such as wool and woolens, copper, steel rails, and marble, had been raised above the war rates, often by complicated compound duties which concealed, and perhaps were intended to conceal, the increased protection which they gave. The period was one of official laxity if not of positive corruption. Public attention was distracted to Reconstruction of the old slave states, and soon to currency questions. The prevailing spirit of speculation forbade close scrutiny of public or private acts. This was a situation made to order for "pressure groups," as they were later called, which sought legislative favor.

The McKinley Tariff of 1890

The Tariff Act of 1883 was a general one. The return of prosperity following resumption of specie payments produced increased collections on imports, giving the Treasury a surplus even after phenomenal reductions of the public debt. A tariff commission of men outside Congress had been appointed in 1882 to devise and recommend "a judicious tariff," the understanding being that this meant downward revision to decrease the federal revenue. But President Arthur appointed to the commission a majority of high-tariff men, four of the nine members were personally interested in protection, and all agreed with the principle. Even so, the proposal of the commission for moderate lowering of rates was met by the protected industries and their friends in Congress with sharp opposition. Real reduction was avoided by a parliamentary maneuver resulting in nominal cuts, which had little or no effect, and in marked increases, often adroitly concealed, intended to serve the

interest of wool, cotton, and steel manufacturers. Rates were lowered on some manufactures and materials which would not be imported anyhow, but were raised on goods which came into competition with the domestic.

The Act of 1883 was a success for protectionists. That of 1890, the "McKinley Tariff," was a triumph. We must take a glance at the situation which produced it. President Cleveland had begun by recommending to Congress "a certain reduction . . . in our customs revenue" to relieve the Treasury of an embarrassing surplus of funds which would be productive in general circulation. He was ready to preserve protection. But in 1887 he changed his tone. His entire annual message was devoted to the tariff. "It is a condition which confronts us, not a theory," he declared. The revenue of the government must be diminished. He urged against new involvement in a discussion of free trade versus protection, but so far indulged in what he deplored as to scourge the policy of high tariffs. He galvanized the Democratic Party, theretofore languid on the issue, into unity and action. This was the beginning of what is regarded, too dogmatically, as the traditional stand of that party against high tariffs. Mr. Mills of Texas, an out-and-out free trader, was named chairman of the House Ways and Means Committee, and framed a bill intended to cut over $50,000,000 from the revenue — $20,000,000 by adding to the free list raw materials like wool, salt, lumber, paper, flax, and hemp; and $30,000,000 by reduction in duties on cottons, woolens, and iron. The Republicans, who had a majority in the Senate, came back with a bill of opposite tenor, raising important protective duties.

While debate raged, the party conventions were held. The Democrats framed their platform on Cleveland's demand for sharp tariff reduction, and renominated him. The Republicans, nominating Harrison, accepted the issue, proclaiming themselves "uncompromisingly in favor of the American system of protection." They would reduce the revenue by cutting import duties only on those goods which could not be produced in this country. The Republicans won the national election by a narrow majority, but had the right to consider the result a mandate of the country in favor of maintenance of protection. The new House Ways and Means Committee was now, of course, composed of a majority of high-tariff Republicans, with William McKinley of Ohio as the chairman, and Nelson W. Aldrich of Rhode Island — in the forefront of specialists in protection — an active member.

The McKinley Tariff of 1890, a shout of victory over the Democrats,

swung to the other extreme from the defeated. Its main features were: (1) Increased protection to the old claimants, wool and woolen goods worn by the masses; all cottons but the cheapest, which could not be imported anyhow; rates on certain articles were made as high as 100 per cent, and some duties already prohibitory were exultantly pushed higher. (2) Tariffs on certain imports were sharply increased in the hope of initiating the industry in this country, of which tin plate from Britain (the tin can was just then coming into its own) and plushes and velvets were examples. (3) The favor of the tariff, regarded by farmers, especially those of the West, as unfairly reserved for manufacturers, was extended to many agricultural staples, such as wheat, corn, potatoes, barley, eggs, meat, and butter. The new agricultural duties kept out some Canadian produce, but were mainly for political effect, as the United States was an exporter, not an importer, of most of these articles. The farmer was given only the husk of protection. He was to try a full generation later, in the legislation of Franklin Roosevelt's "New Deal," to get the kernel by "making the tariff effective for agriculture." (4) Lastly, the McKinley Act put raw sugar on the free list. At two cents a pound duty, it had been the biggest single revenue yielder, bringing in the previous year $54,000,000, one fourth of the income from customs. This was the great means of reducing the public revenue, a means so grateful to consumers that it was expected they would little notice or complain against steep increases in rates on protected industries. To avoid ruining the Louisiana sugar producers, who were responsible for only a fraction of our supply, the expedient was invoked of a bounty to them, equal to the abrogated duty of two cents a pound. They would now have to sell below their cost of production, recouping from the bounty.

Democrats Promised Much, Performed Little

Immediately after passage of the McKinley Tariff, all went wrong for the Republicans. They had cut down the federal surplus too much, from $105,000,000 in 1889–90 to $37,000,000 the next year, then to insignificant amounts. In the year 1893–94, when the Democrats came back into power, the surplus had become a deficit of nearly $70,000,000. By free sugar $50,000,000 of revenue had been sacrificed, the bounties paid to American sugar producers amounted to $10,000,000, and pensions had been recklessly increased by half, standing over $50,000,000 more in 1893 than they had been in 1890. The people were in the first flush of national indignation against monopoly, and there was a strong popular

conviction that free raw sugar and the protective duty on refined sugar in the McKinley Act had been the selfish work of the sugar trust, just then appearing as the prototype of business combination. The currency question, that great arouser of popular controversy, contained another cause of Republican discredit. Freer silver coinage and issues, provided in the Sherman Act of 1890, was blamed by many for business uneasiness and afterward for panic. In the congressional election of 1890 the Democrats had a sweeping victory, repeated in 1892 when Cleveland went back in as President with an easy control in the House and a slight majority in the Senate.

The Democratic platform had made the tariff a principal issue: "We denounce the McKinley tariff law . . . as the culminating atrocity of class legislation." The platform roundly proclaimed "a fundamental principle of the Democratic Party that the federal government has no constitutional power to impose and collect tariff duties, except for the purposes of revenue only. . . ." Cleveland had become, before the country, the emblem of radical tariff revision. The party thus held itself empowered by the election to deal drastically with the Republican tariff, and free-trade and low-tariff men looked to it for a triumph of their principles.

But Democratic embarrassment, which was to make tariff reduction abortive, immediately ensued. The panic of 1893 was ascribed by Cleveland mainly to excessive issues of silver currency. He called an extra session of Congress in the summer of 1893 to repeal the Silver Purchase Act. He forced his point, but only at the cost of antagonizing the important free-silver bloc in his own party. The Democrats were henceforth divided, and their action on the tariff was conspicuous proof of their imbecility. The narrow majority in the Senate had to be handled tenderly, for some Democrats here were resentful, and some wanted protection for productions of their own states.

When the Wilson Tariff Bill, prepared in the House, itself a partial and circumspect revision of the McKinley Act, came to the Senate, the latter chamber met it with amendments giving higher duties. It had been an article of faith with the Democrats to repeal duties on raw materials, and the House had done this in the cases of coal, iron ore, and sugar. But the conference committee, which had the task of reconciling differences between House and Senate, had to deal, among other perplexing points, with the demand of the upper branch that all three be dutied. The Republicans enjoyed the Democratic discomfiture, especially with regard to sugar. In 1890 free raw sugar had been hailed

as a boon to consumers. But since then the depredations of the sugar trust had given it the character of tribute to the monopolist refiners. President Cleveland wrote a distressed letter to Chairman Wilson, in charge of the conference committee, urging, as a necessary concession to Senate demand, that sugar be taxed, both raw and refined, even though this would be described by political enemies as a yielding to the trust. A tariff act must be passed. Free sugar had depleted the Treasury. A tax on sugar would help fill it again, and this was peculiarly necessary for a government which needed gold to back its paper issues.

The Senate had its way throughout. Almost the only bold feature of the final bill, the only one according with previous Democratic promise, was the placing of wool on the free list. Raw sugar was dutied at 40 per cent *ad valorem* (about half the old rate which the McKinley Act had abolished, the bounty to American producers of course being repealed), and the duty of one eighth of one per cent on refined sugar was kept. The act provided for a federal income tax. This rested on the rich, and was in a manner an offset to the sugar tax which bore more heavily on the poor. When the Supreme Court declared the income tax, thus levied, unconstitutional, and yet the consumption tax on sugar remained, the Democrats were further discredited as abandoning their principles. The bill as passed was a faint interference with the protective system. As Cleveland had feared, it fell far short of an "accomplishment . . . so interwoven with Democratic pledges and Democratic success that an abandonment of the cause or the principles upon which it rests means party perfidy and party dishonor. . . ." He let the bill become law without his signature. But this could not save the party from national condemnation. This Democratic Tariff of 1894 did not cause the hard times which followed, but, in popular judgment, it got much of the blame.

This failure of tariff revision was an instance which has confirmed the American people in the recognition that party promises mean little so far as courageous translation into law is concerned. The abortive attempt at reform — we might say, with Henry Watterson, the cowardly surrender to protection — invited a new display of the prowess of high-tariff advocates in the Dingley Act of 1897.

Dingley Tariff, 1897, Topped Previous Protection

The Democratic Party had headed into difficulties. It was divided in its own ranks; it got the blame for the depression following 1893.

Each in itself was a sufficient promise that the Republicans would be returned to power, as they were in the congressional and presidential elections. We have seen before how habitual it is, in a period of depression, for currency reform to be agitated by the debtor parts of the population. The years 1893–96 furnished perhaps the most notable instance. President Cleveland was insistent on a gold support for the greenbacks. William Jennings Bryan, on the other hand, in 1896 became the candidate of Democrats and Populists demanding easy money in the form of free coinage of silver at the old ratio of sixteen to one. The Republicans tried to pitch the election on the tariff issue, declaring that increased protection would bring prosperity and wipe out the steady Treasury deficits. But the currency issue claimed paramount popular attention.

When the Republicans were elected, should they confirm the gold standard unequivocally, or first enact a higher tariff? Gold Democrats who had supported McKinley wanted the former immediately. But the Republicans had lost from their ranks many from the silver-producing states. The tariff issue was safer, and so the Dingley Bill, already prepared, became the sole subject of the extra session of Congress in 1897 which President McKinley at once called. This became the highest protective tariff enacted up to that time. The Democrats had put wool on the free list in 1894. Now the Republicans gave it back the duties of the McKinley Act of 1890, and raised the compensating duties on wool manufactures to new heights. Slightly lowered duties on cottons were offset by raising those on silk and linen. Duties on iron and steel products were not increased beyond what they had been in 1894, because this industry in America was now developed to the point of exporting. The Dingley Tariff returned to a generous use of compound duties — specific and *ad volorem* on the same article — which now as before permitted a degree of protection best known to the industries involved.

The Dingley Act was a strict party measure, but, unlike the Tariffs of 1890 and 1894, it did not bring discredit upon its sponsors. For the country was emerging from the depression, prosperity hushed silver advocates, and the Spanish-American War distracted tariff opponents to the new issue of imperialism. The Treasury filled from increased taxes on increased imports, while exports swelled too beyond what they had been while the Tariff of 1894 was in force. The Dingley Tariff was not responsible for prosperity, but a gratified public granted it this importance. It remained in force for twelve years.

Finally, two decades of discussion of the evils of monopolies, topped

by the depression of 1907, produced a growing conviction that trusts were promoted by protective tariffs. President Taft, in his campaign in 1908, promised tariff reduction. The Republican managers in Congress announced a new formula for protective tariff construction, which seemed at first to be reasonable. It was to make the duties high enough to equal the difference between the cost of production at home and abroad, together with a fair profit to the American maker. But a second glance shows that this principle would justify tariff encouragement of industries very unsuited to America. The principle really prohibits importation. Senator Aldrich, particularly, was willing to have this criterion applied in latitude. New exhibitions were given of log-rolling in the Senate. The secretary of the Wool Manufacturers' Association was the confidential clerk of the Senate Finance Committee, a scandal which was to find parallel later. This committee did not hold public hearings. Aldrich was largely responsible for the many Senate amendments of the House bill, mostly increasing protection. Finally President Taft, who had been silent, reminded the conference committee of his pledge to revise the tariff downward, not upward. The only signal effect was to place hides on the free list. Taft did something to relieve himself of the charge of broken promises by favoring the appointment of the Tariff Commission and by giving the act a liberal administrative interpretation. But his action throughout was half-hearted, and he lost credit with enemies and friends. The tariff remained exceedingly protective.

Changes in Our Foreign Trade

Beginning about 1870, there was strong growth of our foreign trade to the end of the century, exports of merchandise rising from \$393,000,000 to \$1,394,000,000 (255 per cent) and merchandise imports from \$436,000,000 to \$850,000,000 (95 per cent). Exports generally exceeded imports. It must be remembered that values were affected by inflation in this country during the first half of the period; since prices declined in the second part of the period, both in Britain and here, the increase in value of the foreign trade has the more significance.

Wheat and other grains took chief place in our exports, running ahead of cotton which was in second place. Meat and meat products were third. Iron and steel manufactures, not only in the cruder forms, but as hardware and machinery of all sorts, came fourth in importance in our exports. Petroleum products, particularly kerosene, followed in

fifth place. The electrical age called for American copper, the export of which increased rapidly before the end of the century. Our manufactures formed the export group which increased most rapidly from 1880 to 1900. Of course, our trade continued to be principally with the countries of northern Europe. That with southern Europe, which had formerly been important, fell off, with the exception of Italy. The backwardness of these regions, not helped by their high protective tariffs, told against them.

After 1890, when American manufacturers were actively developing world markets, Europe as a whole took a declining proportion of our exports, Canada, Mexico, Argentina, Japan, China, Australasia, and South Africa coming forward. Especially to Japan, but to other hitherto undeveloped countries also, we supplied not only manufactured goods, but machinery itself, which one day was to rise to plague us. Corresponding to the development of our own manufactures was the fall in relative importance of imports of foreign manufactures finished for consumption. These had comprised over half our imports in 1860, but by 1900 they were less than a fourth. In the same period, the imports of manufactures for further use (semi-finished goods which became materials of our own industries), grew in value from 7 per cent of our total imports to more than twice that. They were such commodities as chemicals, tin, iron and steel of certain sorts, and uncut diamonds. However, crude materials for our factories took chief place in imports — rubber, wool, hides, and silk. Sugar was the leading single import.

The period from the Civil War to 1900 witnessed changes in relative importance of American ports in the foreign trade, which registered alterations in our internal economy and in distribution of population. New York continued to hold first place in both imports and exports, but San Francisco, Portland, and Seattle came forward, especially in exports. The lake ports increased their business with the Canadian trade. Charleston never regained her old importance, for the cotton area had moved southwestward, and Galveston rose rapidly as a rival to New Orleans.

Main tendencies in our foreign trade seen in the last years of the nineteenth century continued up to the First World War. The growth was rapid from 1900 to 1913 — 76 per cent in the value of exports and 113 per cent in that of imports. Part of this was because of increase of prices in the period. The excess of merchandise exports over merchandise imports was greater than ever before, but our remittances abroad — consisting of such items as freight, interest, tourist expenditures, and

money sent back to relatives — produced a balance of payments against us. This difference was liquidated by foreign investments in the United States.

Relative value of food exports declined about half, these making up only one fifth of our total exports in 1913, and agricultural products of all sorts, including cotton and tobacco, amounting to less than half. This reduction was caused by increase in the relative position of our exported manufactures, which had constituted little more than a third of our exports in 1900, but were nearly half by 1913. Iron and steel, agricultural implements, cotton goods, and refined petroleum products were leaders in this movement. Europe took relatively less of these finished manufactures than previously. Our high Dingley Tariff provoked retaliation there, somewhat as the Hawley-Smoot Tariff was to do a generation later, and most European countries raised their duties against our goods. Reciprocity agreements which we quickly negotiated lessened our injury temporarily, but in proportion as our manufactured articles found better entry into these countries, restrictions were reimposed. We could sell the European manufacturing states our raw materials needed in their industries, but soon had to create demand for increased portions of our finished wares in the less developed parts of the world. This brought us into sharp competition with European exporters, who were earlier in the field and frequently had the advantage of political influence and still oftener of a superior commercial technique. This consisted of branch banks, sales organizations, and manufacture and packaging specially for the different export markets. Our industries, helped by the greater capital resources and efficiency from consolidations, began to pattern after successful European methods.

Development of our domestic manufactures, protected by high tariffs, caused relative decline of our imports of finished products. European countries, however, especially those with colonial possessions, collected and sent us materials for our industries, such as rubber, wool, and mahogany. Slightly more than half our imports in 1913 came from non-European countries, particularly Canada, Mexico, and South America.

During the period preceding the First World War commerce increased with our non-continental possessions — Alaska, Hawaii, Puerto Rico, and the Philippines, all but the first acquired in 1898. Every influence, of course, gave us predominant place in their exports, but their imports from us were of less significance.

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Part Five

"NEW ERA," DEPRESSION AND "NEW DEAL"

X

Chapter 32

Economy of the First World War

THE ECONOMIC LEGISLATION of Woodrow Wilson's first administration was intended to follow the lines of the "New Freedom" which he had proclaimed in his campaign. The concrete results were the Underwood Tariff, the Clayton Anti-Trust Act, and the Federal Reserve Act. The law in every case, and inevitably, fell something short of the purpose which had been declared. Even so, the New Freedom was less opportunist, was based more upon a social philosophy, than Theodore Roosevelt's "Square Deal" or Franklin Roosevelt's "New Deal." This followed naturally from Wilson's career as professor of political science and university president.

We may venture that Wilson's New Freedom was a compound of Jefferson and New Jersey. As a student Wilson was attached to the principles of pristine democracy as taught by the great anti-Federalist. This meant, in the economic sphere, minimum interference of government with private enterprise. Then, as governor of New Jersey, Wilson had found the state controlled by organized finance and industry, and had set himself to free it from this domination by "special interests." As President, he proposed to apply his theory and experience nationally. He observed:

> We used to think, in the old-fashioned days when life was very simple, that all that government had to do was to put on a policeman's uniform, and say, "Now don't anybody hurt anybody else." We used to say that the ideal of government was for every man to be left alone and not interfered with, except when he interfered with somebody else. . . . But we are coming now to realize that life is so complicated that we are not dealing with the old conditions, and that the law has to step in and create new conditions under which we may live, the conditions which will make it tolerable for us to live.

That is, the business combinations, "trusts" of latter-day growth, could not claim immunity from government discipline, because they controlled the right to produce and consume, and had grown so powerful

and presumptuous as to subordinate government to their selfish demands. Wilson condemned as "absolutely intolerable"

> the control over the government exercised by Big Business. . . . Our government has been for the past few years under the control of heads of great allied corporations with special interests. It has not controlled these interests and assigned them a proper place in the whole system of business; it has submitted itself to their control. [Both government and economic opportunity had to be given back to the people.] When I am fighting monopolistic control . . . I am fighting for the liberty of every man in America, and I am fighting for the liberty of American industry.

Wilson declared that he was not opposed to bigness in business where honestly achieved and maintained by supply of excellent goods and services at a lower price than charged by competitors. He couched his lance not against primacy in enterprise, but against privilege allowed or seized. As a matter of fact, however, he was driven to fight bigness, for it was rarely separated from the unfair methods which he stigmatized. Practically all large-scale enterprise was to him, despite his disclaimer, monopoly. Hence he espoused littleness in business, and thought that individualism was to be preserved through an atomic economic system.

Democracy, political and economic, was to be restored by breaking up business consolidations. He rejected the argument of Theodore Roosevelt, who ran against him for the presidency on the Progressive Republican ticket, that business combination was inevitable and ought to be interfered with only so far as to regulate it, through an industrial commission, in the public interest. Wilson thought the public would be badly off with owners of big business as its national stewards. The President should preside over the people, not over a board of trustees made up from great corporations. Theodore Roosevelt was more realistic than Wilson in recognizing that big business had come to stay, and that we might hope to have "good" trusts instead of "bad" ones. Wilson, more doctrinaire, clung to the proposition that competition could be restored.

Wilson inveighed against the tariff as a cause and creature of monopoly. It was "not a system of protection, but a system of favoritism, of privilege. too often granted . . . by subterfuge. . . ." He did not propose free trade, for tariff revenue was necessary to the federal government. But he meant to pull the weeds out of the tariff garden, to "give the little plants air and light in which to grow." All in all, Wilson assaulted "the interests" in words which America was not to hear again from a Presi-

dent until Franklin Roosevelt, after contrary conduct, sped on the investigation of the Temporary National Economic Committee of 1939–41. Wilson was an embodiment of what is generally meant by the "liberal" philosophy, which cries up private enterprise and deplores equally private control of public life and public control of private life. He did not approach the view which Debs, the Socialist candidate for the presidency, was presenting, that the only cure for big business exploitation is in public ownership and democratic management. Wilson's "New Freedom" was not new and it was not free. The legislation enacted under it proved the preface, in the first instance, to a degree of government control over economic life, albeit due to war, which Wilson never contemplated; and when the war was over, the laws which Wilson had sponsored did not prevent a gleeful seizure of power by big business, in the Harding and Coolidge administrations, such as the country had never witnessed before. Furthermore, the next Democratic administration began by denying, or by neglecting, many of the "New Freedom" tenets.

The Underwood Tariff Lowered Protection

A prompt feature of President Woodrow Wilson's "New Freedom" program was the so-called Underwood Tariff of October, 1913. The Democrats had won in the congressional elections of 1910 and more emphatically in the presidential election of 1912. The Republican Tariff of 1909 had been blamed, with only partial justice, for the rising cost of living and for the further growth of business combinations. On the new tariff, passed at the extra session, Wilson and his co-workers expended both rhetoric and resolution, with rather more of the former. We may accept Taussig's conclusion that "The Act of 1913 manifested a great change of purpose and attitude. . . . No comparable reversal of general policy had been made for half a century. . . . it might well be spoken of as beginning a policy of much moderated protection. . . ." [1]

The method of its passage, under strict party discipline, was important aside from its provisions. There was very little manipulation by the beneficiaries of protection in their own interest, as formerly. The Republicans appealed for expert examination of existing schedules before changes were made, instead of the rough judgments of Congressional committees. But the Democrats had killed the Tariff Board, regarded

[1] *The Tariff History of the United States*, 1914 ed., p. 448.

as a Republican device, the year before, and were in no mood to brook the delay involved in further specialized study. They were empowered to enact a "competitive" tariff that would eliminate all special privilege of American producers. The phrase meant little, since it did not imply the competition of free trade. Moderated competition is protection of a degree. But the slogan was serviceable.

Sugar and wool went on the free list, and with the latter the compensating specific duties on woolen goods were abolished, and the *ad-valorem* duties (those intended to give protection), were reduced from highs of 100 and even 150 per cent to 35 per cent. Especially on cottons, the intricate system of specific duties which had become a cloak for unreasonable exactions was swept away, plain *ad-valorem* rates being substituted. Iron ore, pig and other crude iron, steel rails, and fencing wire were admitted free, though this was of little effect because of the predominance of the American industry in the home market anyway. To the farmer's fence was added agricultural machinery free of duty, but this was of no real consequence, since our harvesters and other devices are exported, not imported. Coal and lumber were added to the free list.

The sound and fury "served to lower duties that had been prohibitory or abolish duties that had been nominal," as Taussig said, so that the effect upon American prices was small. But this Underwood Tariff did something to expose the ghost of high protection by boldly tearing the sheet from the frame of Republican pretensions. Industry would not perish when invited to rely upon its efficiency instead of thoroughgoing subvention. But again it was to be proved that the ghost was not permanently laid.

Confirming the purpose of the Underwood Tariff to remove a cause of business monopoly, the Wilson administration the next year (1914) passed the Clayton Anti-Trust Act. As we noticed earlier (Chapter 27, "Business Combination") this was an amendment of the Sherman Act of 1890, which remains the fundamental statute. The Clayton Act, by condemning particular practices of combinations, as experience had revealed them, undertook to prevent these from leading to monopoly.

The Clayton Act principally forbade two forms of combination — holding companies and interlocking directorates — and two trade practices branded as unfair — local price discrimination and "tying" contracts; it also undertook to exempt organized labor from the operation of anti-trust laws.

Clayton Act to Nip Monopoly in the Bud

Judicial condemnation of the holding-company form which had been so much used now passed into statute. The Clayton Act provides that "no corporation engaged in commerce shall acquire, directly or indirectly, the whole or any part of the stock or other share capital of another corporation engaged also in commerce, where the effect . . . may be to substantially lessen competition . . . or tend to create a monopoly. . . ." The section on interlocking directorates said that no person shall at the same time be a director in two or more corporations competing in interstate commerce, other than banks and common carriers, any one of which has capital exceeding $1,000,000, if such connection might lead to violation of the anti-trust laws. This prohibition was one by which the act was "to arrest the creation of trusts, conspiracies, and monopolies in their incipiency and before consummation." Experience has shown that this provision was deficient in not forbidding interlocking officers, stockholders, and "dummy" directors.

As to unfair trade practices, the act forbade any person engaged in commerce "to discriminate in price between different purchasers of commodities . . . where the effect of such discrimination may be to substantially lessen competition or tend to create a monopoly," but discrimination was allowed if owing to differences in quality and quantity, transportation cost, or was "in good faith to meet competition." It had been proved that state legislation, because of the increasingly interstate character of business, was unable to reach this prevalent form of unfair competition.

"Tying" contracts are those which make the manufacture, sale, or use of an article, usually a piece of machinery, conditional upon an engagement not to employ in connection with it the goods of a competitor. A line of court decisions had shown that this abuse, certainly in the case of patented articles, needed to be forbidden by statute. A leading case had been that of the Dick Company (1912). This mimeograph manufacturer sold a machine with the restriction that only the company's ink and paper be used with it. A competing ink manufacturer sold his ink for use on the machine, knowing of the restriction, and was successfully sued by the Dick Company. The Clayton Act forbade such practices on patented articles and other, if the effect of the conditional lease or sale "may be to substantially lessen competition."

Violation of the penal provisions of the anti-trust laws was made punishable against individual directors and officers, by fine up to five

thousand dollars or imprisonment up to a year. This personal guilt feature was an innovation of the Clayton Act.

Organized labor had urged, especially since the costly decisions against unions in the Danbury Hatters' and Buck's Stove and Range cases under the Sherman Act, that combinations of workers be exempted from prohibitions of the anti-trust laws. President Gompers of the American Federation of Labor and other labor leaders thought this had been accomplished when the Clayton Act, besides limiting the use of injunctions in labor disputes and giving immunity to strikes, picketing, and certain boycotts, declared that "the labor of a human being is not a commodity or article of commerce." Thus nothing in the anti-trust acts should forbid the existence or functioning of labor organizations. Such organizations were not to be construed as illegal combinations or conspiracies in restraint of trade. Subsequent court decisions, however, as in the *Coronado* case, lessened labor's reliance on the Clayton Act; the labor provisions of the National Industrial Recovery Act and the National Labor Relations Act, a generation later, were necessary to restore departed confidence.

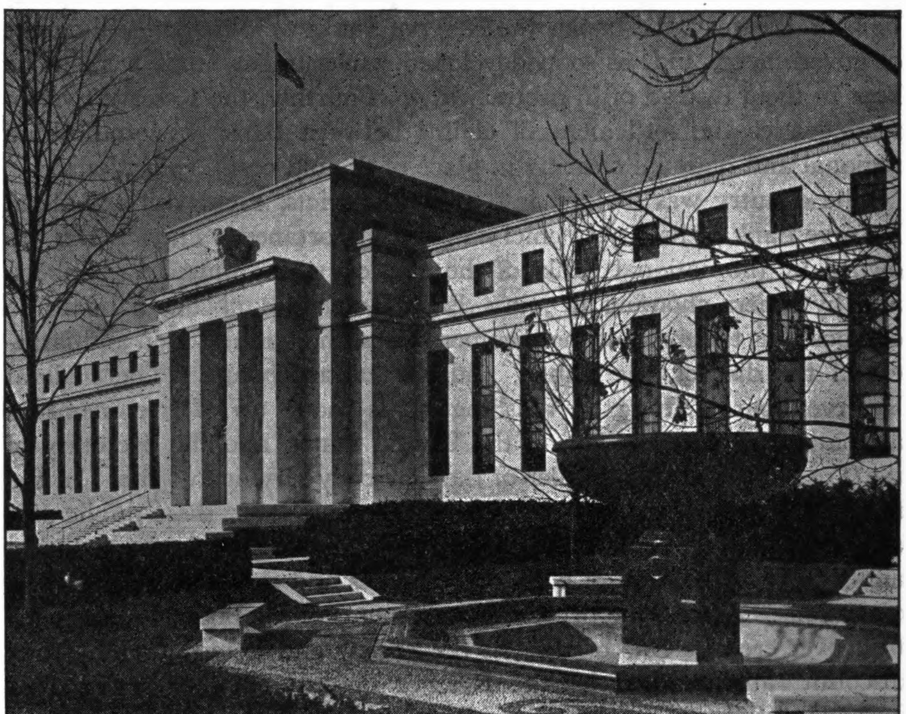
The Federal Trade Commission was set up, also in 1914, as a staff agency to investigate trade practices which might be outlawed by the anti-trust acts and, if found to be illegal, to report these to the Attorney-General for possible prosecution. The commission became less assertive as years passed, but brought an accumulation of complaints at the time of the anti-monopoly investigation by the Temporary National Economic Committee.

The third principal economic reform of President Wilson's administration was the Federal Reserve Act of 1913. This was by no means original. We have seen that while the Federal Reserve Act had features historically unique, it was in the main an adaptation, with a new party label, of what had been developing in and out of Congress for a score of years. It differed from the abortive Aldrich plan of 1912 in two main ways — it gave more power over banking policy to the government as against the banks, and it set up a less centralized system. The lapse of another period of twenty years was needed to show how the Aldrich picture underlay what the Federal Reserve Act painted on the canvas. Governmental, or perhaps political, control asserted itself too much where a larger measure of banker control might have helped to avert disaster. Eventually, in the revision of the Federal Reserve Act in the depth of the depression of the thirties, it was necessary to give the system more centralization. So, to revert to our figure, the passage of time

produced a flaking-off of the Federal Reserve painting enough to show the Aldrich brushwork beneath. The claims made by sponsors of the Federal Reserve Act at the time of its enactment proved to be extravagant. The system was hailed as furnishing the means of controlling credit, checking the use of national bank facilities for stock-market speculation, and moderating — even avoiding — severe business fluctuations. The year 1933 was to witness the tragic error of these hopes, for then, in the midst of the worst of all depressions, every bank in the country was shut.

Design of the Federal Reserve System

The Federal Reserve System aimed to cure the defects of the National Banking System, to which it became a corrective and supplement. It sought to make the currency more elastic by furnishing Federal Reserve notes based largely on business and agricultural obligations. The mem-

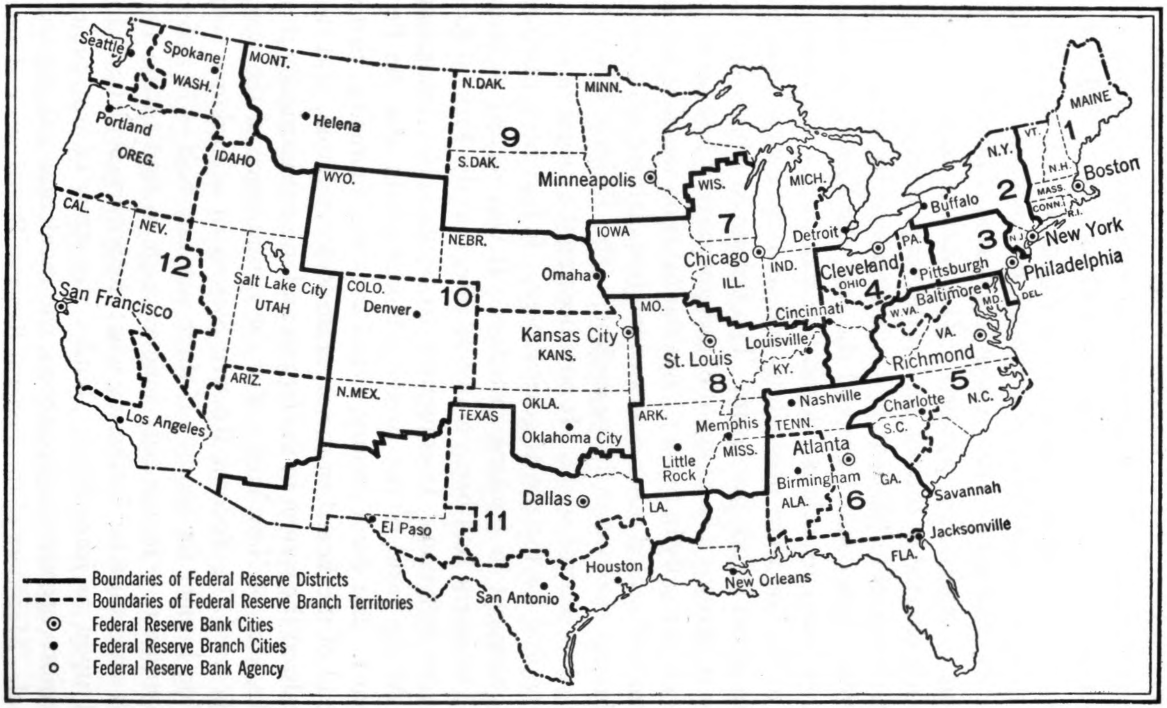


Gendreau

FEDERAL RESERVE HEADQUARTERS, WASHINGTON

ber banks could rediscount this paper with a Federal Reserve Bank — that is, could themselves borrow on the paper on which they had made loans — and so get Reserve notes which they could pay out, or, if they chose, enlarge their reserves against which they could lend. The volume of these Reserve notes would expand when there was brisk business, and contract when business men paid the banks. The issue of national bank notes, under the new name of Federal Reserve Bank notes, was to be gradually transferred to the Reserve System. We saw that the second defect of the National Banking System was decentralized reserves. The new plan remedied this by requiring that a proportion of the reserves of the member bank be kept in the Reserve Bank of its district, the remainder in its own vault, and none with other banks as formerly. This reserve pool could then be used to avert trouble by assisting a bank or banks in need, by confining disturbance to a particular district instead of permitting it to spread to a wider area. If necessary, reserves could be transferred between districts, so as to help a district the banks of which were threatened. In the third place, to co-ordinate the operations of Treasury and banks, the Reserve Banks were made fiscal agents of government, and, as soon developed, government funds were to be kept in them instead of in subtreasuries. Fourthly, the Reserve System made easier the settlement of claims between banks by establishing regional and national clearing in place of the old costly collections.

The country was divided into twelve districts, each with a Federal Reserve Bank at its city of chief banking importance. These banks are owned by the national banks of the district, which must be members, and by others choosing to join. Each Reserve Bank has a board so composed as to represent the member banks, the business men and farmers of the district, the public, and the central board. The Federal Reserve Board, sitting at Washington, is made up of five members appointed by the President of the United States, and the Secretary of the Treasury and Comptroller of the Currency serving *ex-officio*. In the revision of the Federal Reserve Act twenty years later, these public officials were left off the Board. The Board has general supervisory duties, aimed at co-ordination of banking resources and stabilizing of banking operations. Among the principal instruments of the Board are the controls over credit. One of these is the review and determination of rediscount rates charged by the Reserve Banks. Another is found in oversight of "open-market operations" of the Reserve Banks. These open-market operations are simply purchase and sale of government securities and commercial paper, designed to increase or reduce the re-



THE FEDERAL RESERVE DISTRICTS

serves of member banks and thus influence their power to lend. A more immediate control over credit was conferred in the power of the central board to suspend, if need be, any and all reserve requirements.

The Federal Reserve Act was approved December 23, 1913, and the system was set formally in operation November 16, 1914. The repercussions of the First World War — financial, commercial, and industrial — launched the Federal Reserve System in a period of bewilderment and sudden resort to emergency measures. The work of Board and banks, so scrupulously charted in the act, had at the very outset to be redirected to meet the threats of fundamentally dislocated security and commodity markets. When this country entered the war, the Reserve System was blown farther from its original legislative moorings. Its attempts to beat back to harbor were unavailing and at length were abandoned, and the ship drove before the storm. The fashion in which the Federal Reserve was to become a fiscal agent of the government had been treated only briefly and broadly in the act. But this function was now expanded in a way that obliterated other duties which had claimed main attention of those framing the system in peacetime. The Federal Reserve had been designed to control credit. It now became the means of recruiting credit and capital for the use of government. It had been planned for scientific adjustment in banking practices. It was turned to patriotic purposes. The intent had been, above all else, that the Federal Reserve should prevent inflation. It consented to be the chief instrument of inflation. At the head of the twelve regional banks was the Federal Reserve Board. But the Treasury, thrust into war financing, first went over the head of the Board to the separate Reserve Banks, and then in effect centralized the system in the largest and most strategically situated of the banks, that of New York. For the continuance of the war, the Treasury directed the Federal Reserve System in accordance with its all-consuming hunger for funds. If there was any halt — in deference to legal stipulation — it was only long enough to find in the Federal Reserve Act an excuse for furthering what the government had already determined upon as imperative. Under the stress of war financing, minor provisions became major powers, the incidental was erected into the principal. Members of the Federal Reserve Board went along with Treasury policy, their reservations remaining personal, not public. They interpreted their duty as being "not to reason why."

We may not deal here with the means by which the Federal Reserve was put in the leading-strings of the Treasury. There was now no futile appeal of Treasury to banks and public, as at the opening of the

Civil War; no dependence on the individual talents of a Jay Cooke to sell financial confidence in the government. The Federal Reserve furnished an organization to hand. If the Board protested against the extent of government borrowing and the degree of its own involvement in Treasury policies, Secretary McAdoo threatened that, in the event of any reluctance or delay, it might be necessary for the government to commandeer all the resources of the banks for the duration of the war. The Board, therefore, broadcast that Reserve Banks were to corral member banks and others of their districts not only to make the success of Liberty loans their main object, but to anticipate these great popular appeals by lending the Treasury their own resources. This last was done by buying Treasury certificates of indebtedness, which were short-time loans to put the government in possession of funds prior to the flotation of the popular subscriptions. These certificates became the instruments, by methods which we rehearse elsewhere, of a double inflation.

The depression of 1920–21 was so immediate a result of the First World War that we may not lay on the Federal Reserve System blame for failure to avert it. The developments of the next decade, of course, were rooted in the war too, but we may regard the years from recovery in late 1921 to the crash in late 1929 as sufficiently "normal" to afford a basis for judging Federal Reserve policies, not by their causes, but by their effects. But this part of the story belongs to a later chapter when we consider the economic antecedents of the great depression.

An "Economic General Staff"

We need not recall the developments which took the United States into the First World War in the spring of 1917. President Wilson, the autumn before, had been elected to a second term on the slogan, "He kept us out of war." At the time we joined the conflict, Wilson's undoubted belief that we were acting on motives of the purest international altruism was shared by the American public. A few in responsible posts observed that our progressive economic involvement, as the principal neutral, brought on the American declaration of war. Our merchant ships were being sunk in increasing numbers by German submarines. American bankers had lent heavily to the Allies, especially Britain, and were becoming alarmed over the prospect of victory of the Central Powers. Time, and disillusionment with the results of a war "to make the world safe for democracy," were to give additional weight to the economic causes of our entry.

The significance of the war for us lies in the changes it introduced in our national economy, in our international position, and in its effects on the succeeding quarter-century of our economic history. Government was now called on to organize the country's resources, not only for our own greatest military effort, but for the supply of our allies. This necessitated novel public controls over industry, labor, finance, and agriculture. While these were largely discontinued when the war was over, they were not forgotten; that they had been used made return to them easier beginning with the depression of a decade later. We shall see farther on how the expansion of the war period led to collapse following 1929. The war changed the United States from a debtor to a creditor country, and swept us, against our objections, into a situation of greater responsibility to the rest of the world.

We may now describe some of the machinery for American economic mobilization in the First World War. Of all the agencies which represented the conversion of the economy from competition to control, from private acquisitiveness to planned production for national purposes, the War Industries Board deserves special attention. It rapidly progressed from informal and advisory methods to an elaborate machinery. It went on from reliance on consent to vast powers of compulsion. The Board undertook to mobilize the full economic resources of the country — industrial, agricultural, and financial — for the winning of the war. The Board described itself as embracing "all and each of the Nation." It insured the adequate flow of materials to Army and Navy, and for ocean and railway transportation. It provided supplies for our allies. It was charged, along with some separate agencies, with furnishing civilian needs. It conserved materials, equipment, and labor for essential purposes, it expanded production where needed, it converted plants. In the account of its operations is repeated reference to "actual needs, not fancied wants," to "service," "co-ordination," "integration," "program." Thus it was the central instrument, in the war economy, for economic planning. With kindred organizations, it was what Stuart Chase has called the "economic general staff." The Board reported: "Before the end it was found necessary to establish a very comprehensive scheme of control over the entire industrial life of the Nation, and indeed toward the end control was extending beyond our borders to every part of the world from which war supplies were drawn."

The War Industries Board grew out of the Council of National Defense, established in the spring of 1916, a year before we entered the war. The Council, made up of Cabinet members and business men, was to

be the parent of several of the emergency agencies, such as Railroad Administration, Fuel Administration, and Shipping Board. The War Industries Board, from July, 1917, to March, 1918, relied on voluntary co-operation for the execution of its important decisions, but by the latter date it was found necessary to give it entirely separate and mandatory powers.

Obviously, the Board could not know of conditions, or direct the course of trades and industries, unless these were organized and had responsible representatives with whom the Board could deal. In some instances there were trade associations which had persisted in spite of the possible animus of the anti-trust acts. In other cases the Chamber of Commerce of the United States took the lead in forming national associations — hundreds of them — to meet the purposes of the War Industries Board. The "war service committees" of these trade associations anticipated in many ways the "code authorities" of the National Recovery Administration of sixteen years later. Wartime furnished the sanction for representative industrial and commercial organizations, co-operating with government; this development was to dilute anti-trust policy to the point where, in the early years of the New Deal, it was suspended.

The principal means of control by the War Industries Board was the use of "priorities." The device had been worked out in Britain, and so could be more swiftly and effectively applied here. It was the way of making sure that materials and labor, inadequate to demand, were available to essential production. After an experimental period, a classification of national production needs was set up, headed by Class AA comprising "only emergency war work of an exceptional and urgent nature," Class A embracing all other war work, such as munitions, destroyers, airplanes, and continuing through descending order of importance to the national welfare. In accordance with this classification, priority certificates, empowering manufacturers to accept orders, were issued — nearly two hundred thousand of them in thirteen months, and more than two thousand in the single day of September 30, 1918. To lessen this enormous load of executive decision on individual orders, business men were authorized, in cases where there could be little doubt about classification, to declare the rating of an order, and this became the authorization of the manufacturer to execute it. The legal basis for the priority system was implied rather than expressed. The real force behind it was the authority which Congress gave the President to take over, at a fair valuation, the plant of any recalcitrant manufacturer and

operate it on war materials and other needed supplies. Everything possible was done, however, and with success, to promote the system as a co-operative one.

Price-Fixing and Conservation

Government price-fixing, unknown in this country to that time, was a necessary companion to the device of priorities. Prices had risen because European buying in America trebled. The country had been flooded with cost-plus contracts, which removed limits to competitive bidding of producers for materials, while eager inquiries, taking of options, and speculation all moved prices upward. The wholesale price index had risen by more than 50 per cent by the time we entered the war. Essential war materials had gone higher — metals had risen nearly two and a half times, and by the summer of 1917 by three and a half; steel plates had more than doubled in price, and food and clothing advanced almost as sharply. Our declaration of war accelerated this upward sweep of prices. Not only was it necessary to set maximum prices in order to hold government outlays for the war within bounds, but runaway prices would disorganize the whole production mechanism to the great injury of war requirements and civilian supply alike.

In such a momentous undertaking as fixing of prices, many basic and collateral problems pressed for solution. The conclusion was to set a flat maximum price for a material or product, say coke or ship-plates, this price being made up of cost of production plus a reasonable profit. The cost of production was first determined in studies made in all or typical plants of an industry by the Federal Trade Commission. This cost price became the subject of hearings of the Price-Fixing Committee of the War Industries Board, at which Army and Navy and other agencies represented the government, and the war service committee of the appropriate trade association, say the Iron and Steel Institute, represented the industry. The price as finally set was approved by the President and promulgated. The guiding consideration was not to let economy for its own sake get in the way of calling out the maximum production possible. This meant, among other things, that the fixed price permitted the high-cost producers to operate. Low-cost producers would make larger profits, of course, but these were expected to be shorn by the excess profits tax.

The prices which the government would pay were applicable to purchases by the Allies, and were mandatory for civilian purchases also.

If the government paid prices below the market, prices of the portion of the supply going to the civil population would rise by so much more. The practice was not to fix the price unless government orders were causing a shortage. Thus the price of cotton was not fixed. Price-fixing was extended from one product to another, separate prices being set at each stage in manufacture, until most commodities of war importance were covered from the raw material to the finished retail product. Without price-fixing, what with inflation and war demand, nobody knows how high the price index would have reached. War, left to itself, removes all check on demand, for war is insatiable. As it was, in the most important field of iron and steel, coke was reduced from $12.75 to $6, pig iron from $60 to $33, steel bars from $5 to $2.90, shapes from $6 to $3, and plates from $12 to $3.25. Fixed prices were above prewar normal, but were much below what had been paid between the outbreak of the war and our entrance. It is thought that in iron and steel alone, price-fixing accomplished reduction equal to a billion dollars a year. In promulgating a price, it was stipulated that wages should not be lowered or production slackened because of it. As coercive weapons, the government always had in reserve the threat of refusing to let the unco-operative plant have materials, fuel, or transportation. In the event that nothing else prevailed, government could take over the establishment. The price-fixing committee, charged with crucial work for government and public, was composed on the principle of interlocking directorates which had been condemned by President Wilson and the Clayton Act, that is, it comprised representatives of the chief agencies concerned, such as Tariff and Trade Commissions, Army, Navy, Fuel Administration, labor, and agricultural interests.

The conservation division of the War Industries Board did notable work of use not only during the war, but after it. The object was to release workers, materials, and equipment by reducing superfluous services, styles, and patterns, and by substituting more plentiful for scarce materials. All was done through co-operation with the industries concerned. Trade practices, such as the privilege of dealers of returning day-old bread to the bakers, were studied to eliminate waste in distribution. Limiting the number of designs and types of industrial products saved material, machinery, crating, selling, amount of stock and parts to be kept on hand by manufacturers and dealers. Fashions in clothing were subjected to utilitarian revision. Sizes and sorts of steel plows were reduced from 312 to 76, planters and drills from 784 to 29, disk harrows from 589 to 18, buggy springs from over 120 to 1, automobile

tires from 287 to 32. Senseless cross-hauls of freight were eliminated. Many other instances might be cited, but a seemingly trifling one is illustrative. Thread manufacturers chose to put only 150 yards instead of the old 200 yards on a spool to avoid raising the retail price. The conservation division put back the 200 yards per spool, thus saving 25 per cent in lumber, wooden cases, labor, and shipping space. In the last item, 600 freight cars per year were released for necessary work. Much that had added to cost to the consumer with no gain to the producer was abolished. Herbert Hoover, when Secretary of Commerce, continued the standardizing of products in conjunction with organized industries, and the NRA, in its trade practice work, found precedent in the conservation methods of war years.

The concern of the War Industries Board with labor was to direct workers into essential production, to recruit workers in the face of military withdrawal of manpower and cessation of immigration, to limit the excessive labor turnover, and to take care that price-fixing of commodities had its counterpart in just wages. The National War Labor Board was engaged chiefly in mediating labor-employer disputes that threatened war production. It was the War Labor Policies Board which tried to conserve labor, govern its flow, and set its standards of wages and hours. This second board interlocked, in its membership, with the principal departments where war labor was demanded, such as building and manning of ships, coal mining, munitions, and railroad transportation. The priorities device was used with labor as with materials. All employers with war contracts, with minor exceptions, were to recruit labor through the United States Employment Service, which followed the priorities list of industries. Local draft boards took men for the Army from less important jobs. When the armistice was signed, wages were about to be set, and the "work or fight" regulation was ready to abolish entirely such occupations as those of chauffeur and butler.

Food Administration

It was early seen by President Wilson that continued reliance on competition and the profit motive would furnish essential foods and fuels only in insufficient amounts and at extortionate prices. In May, 1917, he asked for regulatory powers. In the summer, while bills were debated in Congress, prices rose alarmingly. Not until August 10 was the desired authority granted, and Herbert Hoover appointed Food

Administrator. His organization had as objects the saving of food, its equitable distribution at lowest practicable prices to consumers, encouragement of production, speeding of shipments to the Allies, and, of course, supply of Army and Navy. Conservation and price control were accomplished mainly through putting processors and distributors of food under license. If they did not obey regulations, licenses could be taken away and thus their business be destroyed. Farmers, and smaller dealers doing less than $100,000 of business a year, were not brought under licensing. The policy of the Food Administration was to permit prices to be high enough to call out maximum production, but to limit profit margins of middlemen. The act itself guaranteed farmers a price of two dollars a bushel at the primary interior markets for number 1 northern spring wheat, to cover the 1918 crop. This was called a stimulative price to overcome the drastic wheat shortage, but many producers considered it insufficient, and the price was raised, from time to time, by 10 per cent. In the case of flour and wheat by-products, maximum prices to be charged by millers were set. Retail prices of foods were not fixed, nor were consumers' rationing cards resorted to. An attempt was made to control through regulation of supply and through voluntary co-operation of merchants and consumers induced by extensive publicity campaigns. The cost of living rose steeply. From 100 as the 1913 base it rose to 174 by December, 1918, and kept on rising in the post-war inflation to 216 in June of 1920.

To make up, so far as possible, the acute wheat shortage of the Allies from American stocks, many devices were used. Millers were to process, in the winter of 1917–18, only a proportion of what they had ground in the same period the year before, and were to reserve a third to a half of the flour milled for purchase by the Grain Corporation for export. Americans were to consume only 70 per cent as much wheat as normally. The use of substitutes was encouraged by the "fifty-fifty" rule that millers should furnish wheat flour to their customers only where these bought an equal amount of corn meal, potato flour, rye flour, or some other. Bakers were compelled to use a proportion of substitutes; what was allowed to be sold as "victory bread" must contain 20 per cent of a wheat-flour substitute. Finally a voluntary ration of six pounds of flour per person per month was adopted as a standard, "wheatless" days were encouraged, and, as a result of all, 125,000,000 bushels of wheat were shipped from America to the Allies.

Sugar control was intricate, but resulted, it was thought by the Food Administration, in holding the price to consumers to half of what it

would have been in the absence of many kinds of government action. A consumer was not to be sold more than two to five pounds of sugar at one time in cities, or five to ten pounds in rural districts.

Governing Production and Use of Soft Coal

The Fuel Administration operated under the same act as the Food Administration. Its central problem was that of overcoming the acute shortage that had developed in bituminous coal. This shortage was soon made worse by the tying-up of loaded coal cars at the congested eastern seaboard terminals. When manufacturers, pressing to dispatch their steel and other necessary war supplies to the waiting ships, used open cars which might have carried coal, and these cars remained in the yards still loaded, the supply of cars for moving coal was fatally reduced, and the industries themselves could not operate. Added to the traffic congestion, which the newly established Railroad Administration had not had time to clear up, was the unusually severe winter weather in 1917–18, which increased the demand for fuel for heating, caused trains to be snowbound, and froze inland waterways and harbors. The supply of miners was reduced by the attraction of other industries (many of the bituminous miners not being organized), and by the military draft.

Maximum prices to be charged by the mines for bituminous coal were fixed by the President in August, 1917, and were not suspended until the first of February, 1919. These maximum prices for the different fields, which aimed to stimulate the largest possible output, were nearly forty cents per ton less, on the average, than those set earlier in a voluntary agreement of mine operators with the government, and were calculated to have saved consumers more than $300,000,000. While demand so far outran supply that there was always a shortage of coal until after the armistice, American production, despite all obstacles, increased to the largest ever known. Half a billion tons of bituminous had been produced in 1916; this was exceeded by 50,000,000 tons in 1917, and by more than 75,000,000 tons in 1918. Average annual production of the miner employed underground was increased from 833 tons in 1914 to 1151 tons in 1918. Retail prices of bituminous coal were controlled through state offices of the Fuel Administration, which set margins over cost which dealers might charge.

Every device was used to keep the mines working at full capacity. Disputes between owners and workers were conciliated, necessary miners

were exempted from the draft, a zoning system for the most efficient supply by the mines was established, and through co-operation with the Railroad Administration unnecessarily long hauls, and cross-hauls, were eliminated.[1]

At the same time coal was economized in many ways. The use of it by nonessential industries was restricted to half of their former quantities or less; country clubs and yachts were cut off completely; in January, 1918, all but the most necessary war industries were required to shut down for several days; breweries were limited to half their former output, which saved, besides 1,600,000 tons of coal, much transportation and 40,000,000 bushels of grain.

Anthracite coal, mined in a restricted, well-organized district, and used mostly for domestic heating, presented a minor problem to the Fuel Administration. Since prices of bituminous coal were fixed without regard to quality, much coal suitable for making into coke for steel and other munitions production was in the beginning being put to less essential uses, which made it necessary to fix a price differential. All petroleum products were supervised by a special division of the Fuel Administration, which steadily relied on self-government within the industry rather than employing official mandate. While the law permitted the fixing of petroleum profits, power over prices was not conferred. Oil which was being produced and that which was already in storage was pooled and distributed according to war needs under government direction regardless of private ownership.

Government Operation of Railroads

The Newlands Act of 1913 provided machinery for voluntary mediation or arbitration of disputes between railroads and their employees. Another law of this year began an inventory of the value of physical property of railroads, designed to give the Interstate Commerce Commission a firm basis for its rate decisions. As we shall see, this undertaking proved unexpectedly costly and disappointing in results. Partly as a consequence of this revival of regulation, the railway consolidation movement backtracked between 1906 and the outbreak of the First World War. The Interstate Commerce Commission ended control of the Union Pacific over the Southern Pacific, and attacked the monopoly in New England of the New York, New Haven and Hartford; the

[1] Distracting fairs and carnivals were kept away from the mining areas, and delegations attended funerals instead of the whole mine being shut down as was often the practice formerly.

Pennsylvania freed the Baltimore and Ohio, while the New York Central and the Pennsylvania relinquished their joint control over the Chesapeake and Ohio.

The railroads declared that they were the victims of unwise interference by the Interstate Commerce Commission and of unfounded prejudicial propaganda by aspiring politicians who easily caught the public ear. Railroad credit was impaired, railroad labor was discontented. By 1915 more than forty thousand miles were in receivership. The depletion and dejection of the roads ill-prepared them for the crucial part they must play after this country entered the war. However, they formed the Railroads War Board, which instituted some economies through co-operation and asked for further powers to this end. The Interstate Commerce Commission supported the Board by recommending to Congress that the anti-trust acts be suspended during the war in the interest of unification. Instead, President Wilson, under war powers given him the year before, put the government in possession of the railroads on December 26, 1917. Later it was enacted that the government should guarantee the roads an annual return equal to the average of the three years preceding federal operation. The roads were to be charged, in the final accounting, for permanent additions made by government to their capital equipment.

We cannot enter except briefly into the vexed question of whether government operation was as efficient as was promised, as economical as private operation had been before, or as desirable as private control during the war might have been had this been permitted. It is generally agreed that government direction had become necessary in order to move troops and war supplies, and that this object was accomplished. Despite large additions to plant (over half a billion dollars) and a similar sum for repairs, the twenty-six months of federal operation left equipment in a deteriorated condition. The total deficit under government operation, including a six-months period of guarantee, was about $1,650,000,000. This was accounted for partly by increase of wages made necessary by the rising cost of living and competition of other employment, partly by tardy advance of freight rates, partly by decrease of non-military business. Hours had been shortened, the number of railroad workers increased. Extenuations could be offered, primarily in the subordination of all else to the aim of winning the war. The railroads were rationalized as never known before. Their operation as one system permitted interchange and unification of facilities, elimination of wasteful cross-hauls, dropping of needless competitive services,

and standardization of equipment and accounting, to mention only a few particulars.

We have not space to deal with other government regulatory agencies set up in the war emergency which were more specialized than those treated. They, too, developed methods which mobilized the economy then and furnished a point of departure for wider governmental control in the Second World War.

Costs and Financing of the First World War

The real cost of war is in the production of illth instead of wealth, in the destruction of resources human and physical. This loss projects itself for an indefinite period through time, for war disorganizes social processes, corrupts moral standards, and deteriorates the racial stock by killing and maiming many of the best specimens and by subjecting numbers in the civilian population to semi-starvation and disease. Furthermore, war perpetuates its losses by committing nations to more military preparation, which does not fail to result in new war. If these costs, with innumerable others in their train, defy precise calculation, the bodily suffering and agony of mind and heart are beyond capacity to state. War loss is irreparable.

The attempt to sum up the direct cost of a war to a particular country — that is, the government money outlay — has little meaning. Statistics and economics boggle in the task. Expenditure grows by what it feeds on, rising prices increasing money magnitudes. In the case of America in the first World War, money expenditures appear as greater than they truly were in another respect. Loans to our allies, leaving aside the matter of repayment, did not represent that amount of net loss to us, for, being spent here, they accomplished more stimulation than diversion of American productive effort. Still, with these limitations, we give Professor Bogart's calculation that the gross direct cost of the war to the United States was $32,080,266,968, of which advances to the Allies amounted to $9,455,014,125, leaving a net cost of $22,625,252,843. This was just about the net cost to Russia, almost that to France, and two thirds of that to Great Britain.[1] Such a magnitude has no meaning to the mind. We begin to sense the proportions of the aggregate when reminded that the cost to the United States was about two hundred dollars for every man, woman, and child in the population.

It was at first dogmatically recommended by influential American

[1] Ernest L. Bogart, *Direct and Indirect Costs of the Great World War*, p. 267.

economists that it was both feasible and wise for us to finance the war exclusively from taxes. President Wilson in the beginning adhered to this policy at least as a hope. All intended by this means to avoid inflation, a great rise in prices. The war should be paid for out of savings and curtailment of unnecessary private and corporate spending, which would put the maximum material resources of the country at the service of the government.

The event was very different, as first explained by Professor Hollander in *War Borrowing*. We laid extraordinary taxes, to be sure, but the main reliance was upon borrowing, and borrowing of a sort which resulted in "credit inflation." Four Liberty loans and a final Victory loan, floated in popular drives, were anticipated by the Treasury, in order to put it in immediate funds, through issue of short-term "certificates of indebtedness." These certificates were absorbed by the banks and to a relatively small extent by private and corporate investors. The bank subscriptions were assigned to them by the Federal Reserve Banks, acting as fiscal agents of the Treasury, the Federal Reserve System becoming an instrument of administrative compulsion upon the banks. These certificates were paid for by the banks typically with credits on their books. The Treasury drew on these credits to pay munitions-makers, shipbuilders, and cantonment contractors. Funds thus disbursed came back to the banks in private deposits.

Thus, two sets of checks were added to the circulation — government checks and private depositors' checks. This additional purchasing power came not from enhanced wealth in the country, but simply from the Treasury's requirements. In the main the certificates of indebtedness, which had started this credit inflation, were not liquidated by the government out of the proceeds of taxes or of bond sales which represented savings. The certificates were turned in for bonds. The liquidation, therefore, was postponed until the later date — having no bearing on the current situation — when the bonds themselves would mature or be called.

How steadily the Treasury relied on this device of short-term borrowing to finance the war is indicated by the fact of more than thirty issues of certificates of indebtedness. Their potential power of inflation was increased beyond the nominal because the government deposits in the banks, to which they gave rise, did not require legal reserves. The only limit on the capacity of a bank to take certificates and give the government deposits in return was its ability to meet withdrawals. This was hardly a restraint when certificates could be rediscounted at a Fed-

eral Reserve Bank in order to supply a credit balance or to get Federal Reserve notes with which to meet currency withdrawals by customers.

When and to what extent did this credit inflation show itself in rising prices? During roughly the first half of our war borrowing wholesale prices remained almost stable. This was because inflationary forces have at the beginning an "incubation" period before they make themselves felt in rising prices, and also because, beginning with the Food and Fuel Act of August, 1917, an increasing number of the items entering into the wholesale price index had their prices fixed by the government. These were at first raw materials — wheat, bituminous coal, copper, iron, steel, lumber, aluminum, and rubber. In this first half of the war borrowing, to December, 1917, the government brought down the prices over which it took control enough to offset the rise in price of uncontrolled items.

In the second half of the war period, however, prices advanced sharply. This was caused by inflation which had emerged from incubation. Also, the prices of controlled commodities now advanced, though not so much as those of the uncontrolled. The government discovered, too late for effective action, that fixing prices of raw materials did not prevent increase in prices of finished goods. Indeed, some thought that government fixture of certain prices sent other prices higher than they would otherwise have reached, much in the way that an inner tube blows out through a weak place in the outer tire.

Labor and the War

Labor, organized and unorganized, was affected by the war of 1914–18 in a number of important ways. In the first place, it was a period of increase in union membership, continuing until 1920. The period of greatest growth had been earlier, it is true; starting in 1897 with 450,000 union members, there was until 1904 an annual increase of about 50 per cent. Between 1909 and 1913 there was a further annual increase of about 8 per cent, but in the war period (1915–20) the annual rate was nearly 20 per cent. By 1920 union ranks reached a peak of about 5,000,000 members. Before 1915, unionization was strongest among the skilled workers in such industries as construction, transportation, mining, glass manufacture, and printing. During the war period, gains were greatest among unskilled and semi-skilled workers, chiefly in industries hitherto not unionized. These included textiles, longshoremen, seamen, and the packing and slaughterhouse industries, among others.[1]

[1] Malcolm Keir, *Labor's Search for More*, pp. 41–42.

Most unions, in 1920, were members of the American Federation of Labor. Its national unions claimed about 80 per cent of all union workers; the only important independent unions were the Amalgamated Clothing Workers and the railway brotherhoods. Samuel Gompers was still the Federation's president. He determined, so far as one man could, labor's attitude toward its wartime problems.

The Wilson administration, since coming to power in 1912, had been officially friendly to organized labor. An officer of the United Mine Workers' Union was appointed as the first Secretary of Labor, which started a tradition that the Department of Labor was a sort of annex of the AFL. When the United States entered the war, representatives of organized labor participated in practically every phase of the government's direction of the nation's economic life. Indeed, labor had made a pledge of loyalty and co-operation even before Congress declared war. Gompers was made one of seven members of the Advisory Committee to the Council of National Defense.

Wages in general rose during the war years, but, since the cost of living also rose, the question is whether the worker's increased money wages bought more or less than he had previously been able to buy. Generalizations about this are difficult, since some groups fared better than others. Transportation workers and those employed in manufacturing probably enjoyed a modest increase in real wages during this period. White-collar workers in general did not.

Following the passage of the Adamson Act in 1916, setting a basic eight-hour day as the standard for railways engaged in interstate commerce, the eight-hour day was written into war contracts, with overtime pay for overtime work. This was one of the few gains to labor retained after the war boom was over. The War Labor Board was set up for the settlement of industrial disputes; many of its decisions favored labor, and its recognition of collective bargaining contributed to union growth during the war years. Some modification of curbs on free speech and free press in the Espionage Act were probably secured through labor's influence, although the conservative AFL leaders made no protest when the act was used to persecute socialists and other radicals. Congress resisted pressure for compulsory arbitration of labor disputes, because of labor's objection.

Labor failed, however, to oppose a group of laws importantly affecting workers. These were the "work or fight" laws, passed in at least six states, requiring able-bodied men either to get a job or to enter the Army. Perhaps because such idlers as were rounded up under these

laws were not unionists, labor did not protest. Labor at first opposed the military draft, but before its passage was placated by participation in preparing the bill. The "work or fight" principle, incidentally, was sometimes applied through the Draft Act. Workers in vital war industries secured draft deferment because of their employment, but were threatened with loss of deferred status if they struck.

Post-War Reaction and Steel Strike

Despite a widespread impression that social reforms had been promised as soon as the nation could withdraw its attention from the war effort, reaction set in almost immediately. Labor's energies were needed to preserve its gains, since its wartime strategic position was gone. Employers could no longer be kept in line by war contracts, and the end of the Wilson administration was the end of official friendship for labor. Indeed, an official "Red hunt" began even before the Wilson administration left office, and victimized many workers without protest from organized labor. Employers generally felt that labor had occupied an intolerable position of power during the war, and must now be "deflated." This position resulted in a series of strikes in 1919, involving more than four million workers, and in the open-shop campaign of employers, begun in 1920.

Probably the most important single strike of 1919 was the steel strike. In one of the few industries which had not adopted the eight-hour day, the steel workers had an accumulation of other grievances as well. Not the least of these was the enormous war profits of the steel corporations, which the workers felt had not been matched by the wage raises achieved. If made during the war, even the threat of a steel strike might have been successful; as it was, bad timing brought the beginning of the organizing campaign just before the armistice. No fewer than twenty-four national unions claiming some jurisdiction in the industry entered the field to organize steel workers, and none too enthusiastically at that. This was a prime hampering factor. With many foreign workers, recently immigrated, it is small wonder that the formidable number of unions meant confusion and apathy. Workers thus divided in craft unions were to meet defeat from consolidated capital.

The strike began on September 22, 1919, and involved between 300,000 and 400,000 workers. By January, 1920, only 100,000 remained out, and the strike was lost. The press had been uniformly hostile, employers refused all negotiation, wartime pressure for steel was over.

Probably the most potent factor in defeat, however, was the multiplicity of unions involved, with the difficulty of unified direction and the lack of appeal to the industry as a whole. There was a good deal of public sympathy with the strikers, particularly after the report of the Interchurch World Movement Commission of Inquiry on the strike was published. The grievances of the workers as to hours — the twelve-hour day and seven-day week — thus received wide publicity. Some of the strikers' demands were tardily granted by the industry, but not by bargaining with the unions. Not until 1923 was there any modification of working hours.

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Chapter 33

Prosperity and Depression

BETWEEN THE AUTUMN OF 1929 and the low point of the ensuing depression, stock-market prices fell by five sixths, the national income by half, industrial production by more than half, raw material prices by more than half, foodstuff prices by 60 per cent, receipts of the federal government were cut nearly in two, unemployment was increased five times, and world trade fell by two thirds. These are just a few basic indexes. When one studies post-mortems on the depression, he is convinced that all of the possible reasons, and many of the probable ones, for the fatal economic crash have been singled out and described. The uncertainty is in the impingement of one mischance upon another; in the blame to be assessed against this and that factor in the melancholy meeting of circumstances. If we try to outline the principal probable causes of the great depression, we must go back to the First World War. Thenceforward we trace two sets of forces, the one international and the other belonging to our domestic economy. But each group of causes acted upon the other.

The war was an earthquake which shattered European economic foundations. The rapid recovery of production after the war — virtually complete in agriculture and raw materials by 1925, and in industry and trade a few years later — was deceptive. It was built upon the debt of most of Europe to the United States, and of the defeated Central Powers to the European countries with more resources, such as Britain, France, and Sweden. There were heavy internal private debts, and public budgets were unbalanced. An essential of permanence in economic reconstruction was internal European co-operation, especially since improved transportation and communication had in effect shrunk the whole area. Instead, the war bred trade restrictions. Immediately after hostilities stopped, with the old commercial treaties wiped out and customs duties rendered ineffective because of disruption of currencies, direct governmental control over the flow of goods was invoked. Soon tariff walls were re-erected, the defeated countries regaining their liberty in this regard in 1925. The new independent states which the peace

treaty set up in what had formerly been larger trade areas multiplied and intensified the impediments to commerce. Each little country born of the idea of political and cultural autonomy wanted to be economically autonomous too, and so far as possible even self-sustaining. Each subsidized its agriculture, fostered old industries and established new ones. Europe came to look like an egg crate, partitioned off into many small compartments. Trade was further interfered with by revaluation of currencies at different levels with respect to gold, the exchanges being disturbed both by the uncertainties preceding the decision in each country and by the adjustments necessary afterward.

Surplus products that could not be sold began to pile up in storage. Particularly agricultural prices fell. American exports to Europe, at first stimulated by Europe's need and later sustained by our loans of money with which to buy, kept pouring in after markets were already glutted. Values fell, but not volume. Further, American industries, to cope with European tariffs, established factories abroad, and these added to the stream of goods. The World Economic Conference of May, 1927, urged tariff reduction and trade agreements, but little was accomplished before the growing burden of surpluses made competition between countries desperate. Tariffs shot up higher, especially after the provocation of the American Hawley-Smoot Tariff of 1930, and dumping changed vexation and irritation to rancor.

At this point we must describe our American tariff policy following the war, for it helped to produce world economic breakdown. The modified protection of the Underwood Tariff of 1913 had no chance to show how it would affect the economic life of the country, for the first World War shut off foreign importations. When the Republicans were decisively returned to power in 1920, several causes combined to give us the highest import duties of our history: the traditions of the party combined with nationalism bred by the war, the appeals of new industries started in this country during the struggle, and the clamors of western farmers who wanted falling agricultural prices bolstered. A new international order based on co-operation had been rejected by America, and the depression of 1920–21 was an overwhelming argument for reversion to protectionist "normalcy."

Damage from Very High Duties

Representatives of the western farmers believed — or their constituents believed — that high rates on wheat, corn, meat, wool, and sugar

would lift the prices of these staples. An emergency act in the spring of 1921 imposed such duties and they were continued in the comprehensive Fordney-McCumber Act of 1922. Except for those on sugar and wool, the increased rates had little effect, for the products on which they were placed were exported by us, not imported.

A determined and successful effort was made to get high protection for dyestuffs which we had to begin to make for ourselves when we were shut off from the German product in 1914. Here the military argument gave powerful support to a weak economic case. The coal-tar dye plants might be readily converted for manufacture of explosives and poison gas. The discussion of dyestuffs came to play a leading part in the demand that in calculating the application of duties the American rather than the foreign valuation be used. This meant "the price on the date of exportation of the imported merchandise at which comparable and competitive products of the United States were ordinarily sold or freely offered for sale in the usual wholesale quantities." For the first time in a tariff bill the policy was flatly declared to be that of equalizing, by import duties, foreign and domestic costs of production. The President was empowered, after investigation by the Tariff Commission and on its recommendation, to raise or lower duties by fifty per cent if it appeared that this was necessary to compensate for differences between foreign and American costs of production. If differences could not be equalized by this device, the President was to proclaim the fact, and the "American selling price" became the basis of the *ad valorem* duty, thus lowering or raising the effective import tax. As the matter rested, this "American selling price" was to be the criterion in the case of coal-tar products whether or no, but with other commodities the basis of duty was to be the foreign or American value, whichever was higher.

The project of equalizing costs of production here and abroad was tantamount to eliminating foreign competition. These costs, however, could not in fact be ascertained for American goods and still less so for foreign commodities. The "flexible tariff" feature (the authority given the President to raise or lower duties) allayed opposition to the high protection of the act, but in practice the revisions were almost entirely upward. It could not be of much importance to the American people that rates were lowered by this means on millfeeds, cresylic acid, phenol, bobwhite quail, and paintbrush handles.

This Act of 1922 embodied duties unheard-of in height, reaching, in their application, 400 per cent. Excessive rates on imported toys, which

would come mostly from Germany, were easier to understand in the state of feeling at the time than the practical exclusion of numbers of commodities not even remotely connected with the war experience. The framing of this act gave a fair test of the extent of usefulness of the Tariff Commission, which had been functioning for six years. It did not, then or afterward, render the tariff "scientific" instead of political. It tidied up administrative practice, it eliminated anachronisms and inconsistencies, but its work was of a competent technical, almost clerical, sort, having little to do with policy, which was what mattered.

The Hawley-Smoot Tariff of 1930 carried protection to new high levels at just the worst time, when the whole world was entering the great depression and needed hands across the sea rather than fists thrust in foreign faces. President Hoover disregarded warnings that the bill would provoke a tariff war and thus limit our exports. He reposed unwarranted confidence in the flexible provision, which had proved an empty safeguard. He gave out reassuring statements which were as faulty in their statistics as in their perception of international economic therapy. The agricultural interest and raw material producers were more importunate than ever, and got increases which did them little or no good and became the excuse for raising rates on manufactures with resulting general injury. The unfortunate contribution of this tariff to commercial and financial derangement of the world is dealt with elsewhere in these pages.

Debts, private and public, could not be liquidated within Europe and between Europe and the United States, without a relaxing of trade restrictions. Economic nationalism standing in the way of this reform, public debts had been eased in our adjustment of those owing us by the Allies, and in the Dawes Plan (1924) and the Young Plan (1929) for reparations by Germany. But the scaling-down was trifling in proportion to what was required, so that creditors continued to choke debtors almost into insensibility. The dilemma was clear: either let debtors pay in the only way they could pay — with goods — or forgo the debts. After sourly contemplating alternatives, the second was chosen in the Hoover moratorium of 1931 and in the Lausanne resignation of reparations in 1932, but too late to prevent *débâcle*. The collapse of Austria, Germany, and Hungary in the summer of 1931 led promptly to England's abandonment of the gold standard in September. When long-term debt could not be paid, a great volume of short-term debt had been added. Britain owed more of this than was owing her. Since

all debt of Central Europe was frozen, holders of short-term debt were in panic to repatriate their funds from elsewhere while there was yet time. The winds of fear whisked gold about Europe like autumn leaves from their piles. Britain was powerless to stop the loss of her gold. She must pay but could not collect. By this time general business depression increased financial anxieties. On September 21, Britain abandoned the gold standard, within three months fifteen countries followed, and others were only nominally on gold. Trade, already fettered, was now strait-jacketed. The League of Nations reported:

> In the sixteen months after September 1, 1931, general tariff increases had been imposed in twenty-three countries, in three of them twice during the period. . . . Customs duties had been increased on individual items or groups of commodities by fifty countries, in most cases by a succession of enactments. . . . Import quotas, prohibitions, licensing systems and similar . . . restrictions . . . had been imposed by thirty-two countries. Import monopolies, for the most part of grains, were in existence in twelve countries. . . . Export premiums were being paid in nine. . . .

Then came defaults on international debts in South American countries and soon in Europe. Sometimes payments were "blocked" by various devices which practically amounted to suspension. Shrinking international trade descended to barter between countries.

"New Economic Era" of Prosperity

Post-war developments in the United States took a different trend for a while. From 1919 until the spring of 1920, we enjoyed accelerated activity in supplying goods here and abroad which had been destroyed or were not produced during the war. But this first post-war activity, with high inflation, soon collapsed, and for a year and a half we had acute depression, with falling prices, credit liquidation, and severe unemployment. The prosperity which followed, 1922 to 1929, was checked in two short recessions, 1924 and 1927, which, though they were handwriting on the wall, were regarded at the time as of little significance, and the merry feast went on.

This period was confidently called the "New Economic Era." It was considered that the level of production, prices, and wages which we had reached was an established "plateau," high ground on which we might continue for years. The war was behind us, with its strain and sacrifice. We had won it, that was enough, and could now enjoy release

from its exhorting rhetoric. Weary with well-doing, we repudiated the League of Nations, buried Woodrow Wilson's anxious solicitude with him, embraced the affable Harding as President and returned to "normalcy." Our exuberance was reflected in obliviousness of what went on in Washington. The after-war letdown in political morals, reminiscent of what had happened in the Grant administrations, was now nearly total. An unblushing crew of grafters, some holding public office, such as Forbes of the Veterans' Bureau and Secretary Fall of the Department of the Interior, manipulated the nation's affairs to suit themselves.

With post-war complacence, public corruption was unsuspected or condoned; even the worst of the malefactors passed for good fellows until later inquiry expelled them from Cabinet to penitentiary cell or from other advantageous positions to suicide. Even when the sensational details of stealing public oil reserves for private exploitation and profit, in the Teapot Dome scandal, were spread out by the dogged patience of Senator Tom Walsh of Montana, the public seemed reluctant to believe in them. Blame sat lightly on the shoulders of oil magnates who had bribed high government servants. President Harding was saved from disillusion, perhaps disgrace, only by his sudden death while in office.

President Warren G. Harding, before going to the Senate, had been a small-town newspaper publisher in Ohio. He was a compromise nominee of the Republicans for the presidency, when a deadlock threatened in the convention between stronger candidates. He was handsome, kindly, personally honest. Of mediocre ability, he never comprehended the problems which confronted this country and the world in the wake of the war. He thought all we needed was to relax and resume business as usual. Loyal to his friends, he trusted those he drew about him in office, though too many of these had little fitness in experience or morals for national responsibilities. He was too commonplace a figure to inspire confidence in his leadership, but altogether too amiable a man to deserve betrayal by those about him.

The open-handed Harding was followed in the presidency by the thrifty Coolidge. The liquor-laden, smoke-filled atmosphere of the Harding poker game was blown clean with air from the Vermont hills. The back-slaps of the "Ohio gang" gave way to the shy reticence of a New England solitary. Calvin Coolidge, after a Vermont country boyhood, had been lawyer and bank director in Northampton, Massachusetts. A silent, precise, withdrawn man, he gained a reputation for

hard-headed prudence, and advanced from one political office to another to become governor of the state. A strike of police in Boston attracted the alarm of the country, and Coolidge attracted exaggerated admiration when he clapped the cops back on their beats with the declaration that "nobody can strike against the government." This brought him to the vice-presidency under Harding; when Harding died, he succeeded to the remainder of that term, and then was elected President for a new term.

Coolidge stood for the virtues of business; he sanctified profit. Many stories were told of his sharp eye for the most trifling economies. Citizens asked, if President Coolidge counted the apples in the White House pantry, could anything be amiss with the guidance he took from captains of industry who were such frequent visitors to the executive offices? You could be sure that the apples were all there. Consequently, could anything be awry with the country?

Signs of Good Times

The New Economic Era of the twenties was not the permanent high plateau of prosperity which its believers proclaimed. There were sags at times when progress faltered, advance was in part forced, the bases of success began to fall away before the fact was recognized, and the final fling in speculation ended in disaster. Still, broadly described, it was a span of marked national economic achievement. While population increased 9 per cent, national income increased much more, 23 per cent, and the cost of living barely rose. Purchases of consumers' goods advanced, particularly durable goods such as automobiles and electric refrigerators. Capital goods registered gains, as did physical output of agriculture and particularly of industry. These are impressive evidences of mounting well-being, for which we must summarize the main causes.

Production and the organization and planning behind it received a tremendous impetus in the war. In output as a whole during the years 1920 to 1929, improved technology and business and labor efficiency permitted man-years of work per unit of product to shrink by 21 per cent. The chemical industries acquired fresh life from seized German patents. Where government intervened at all, it was not to correct enterprise, but to aid it in many positive ways. The industry committees set up by the War Production Board had showed business men the advantages to be enjoyed through conference and common action.

The work of trade associations was actively promoted by President Hoover, who through them encouraged standardization of products and other economies. The Federal Trade Commission took little initiative in prosecuting collusion, and where it did so was often rebuked by the courts. The Commission, on the whole, preferred to agree with business about practices which were acceptable.

It was a period in which business had its own way, bending a willing government to its wishes. Federal Reserve policy produced easy credit. Large industries built up surplus funds from which they could furnish their own needs for working capital and for extensions. Others obtained abundant money directly from the public by wide sale of securities which left control with insiders. Still, small purchasers of stocks felt themselves becoming capitalists. Holding companies multiplied, increasing the power of their manipulators almost in inverse ratio to their own investment and risk. The progress of concentration of control, while wasteful in many ways, in others permitted economies through co-ordination. Chain stores enjoyed a remarkable growth, and could buy and sell to new advantage. Chain banking marshaled resources and distributed hazards. As their customary function of supplying short-term commercial loans contracted, banks stood ready to invest largely in real estate and securities. Funds not content with attractive opportunities at home could flow to foreign borrowers. Between 1925 and 1929 some $5,000,000,000 of foreign loans were made in this country.

"Automobile prosperity" was a deserved name when from 1921 to 1929 annual production increased from 1,518,061 to 4,794,898, more than four times as fast as manufacturing output as a whole. Motor vehicles registered advanced from 10,500,000 to 26,500,000, so that at the end of the period every man, woman, and child in America could have gone riding at once. Automobiles took first place in value among our manufactures, and were 12 per cent of the total. Federal aid for improved highways speeded this industry, and automobile manufacture in turn furnished greedy demand for the products of other industries, such as steel, glass, rubber, cotton, petroleum, and copper.

In spite of a continuing volume of unemployment, burdensomely heavy at intervals, real wages of workers rose somewhat, which was an important cause of buoyancy of the economy. The war debt was being paid off, taxes were reduced for the wealthy. Secretary of the Treasury Andrew D. Mellon, himself one of the richest men in America, seemed a symbol of fiscal prudence in the present and promise for the future.

Serious defects and dangers were for the time being either hidden or

waved aside in the public confidence that we were "going to stay rich now." But economic deterioration abroad, interlocking with damaging forces at home, prevented long continuance of the vaunted "New Era." The most portentous thing that was happening in this country was the failure of effective demand for consumers' goods to keep pace with the national product. Wages, salaries (except the highest), and income of farmers did not expand as rapidly as did profit, interest, and rent. The top 5 per cent of income receivers, drawing mainly from property claims, got 26 per cent of the national income in 1929, an increase of 14 per cent in their share in six years.

Thus we accumulated funds which did not flow immediately into consumption nor intermediately into production, but which were available for speculation of several kinds. Evidence of this resulting speculative activity was furnished in Florida real estate, purchase of South American securities, rise of holding companies and investment trusts, and the bidding-up of common stocks to prices at which the yield was very low. The spectacular Florida boom failed of being typical of those extravagant times only because its optimism was the extremest exaggeration. With so many making money it was assumed that the stream of winter vacationists from the North would swell indefinitely. Old Florida resort cities expanded in hotels and shore boulevards, and new ones were laid out by the day. Stories of quick fortunes circulated rapidly, so that the fever for buying Florida land, some of it under water, seized on people of small means, usually cautious. The excitement subsided as fast as it had risen, leaving ambitious, unfinished structures as evidence of misplaced hopes. The fascination of real estate promotion was soon revived in the mountains of North Carolina about Asheville, but the extravagant plans for this summer playland ended similarly in ruin.

Holding companies, especially numerous in electric power and banking, were built up in other fields as well. Though not a new device, as we know from previous discussion, the holding company was now extended beyond what had been known before; in the process of imposing one on another, quantities of bonds were sold to the public. Investment trusts theoretically gave safety to the small speculator by distributing his capital in a variety of enterprises. If speculative buyers of high-priced securities, and those who were seeking not investment but rights of control, were not to be disappointed — if a crash was to be averted — production and consumption had to expand proportionately with paper values. Since they did not, the whole collapsed.

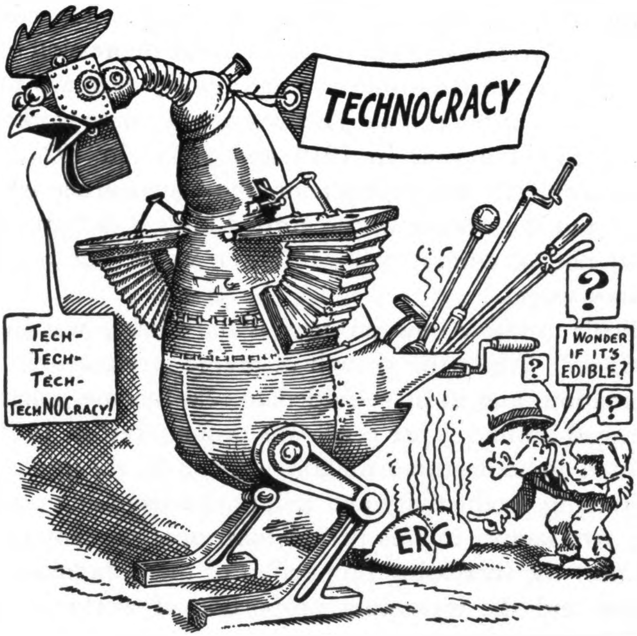
This summary requires some elaboration. The main elements which

we must understand are productivity and the distribution of income. Between 1919 and 1929, while physical volume of production in all industries (including agriculture) and services advanced at an average annual rate of 2.5 per cent, that of manufacturing alone increased by about 4 per cent per annum. This last was more than twice the rate of population growth. Man-hour productivity in manufacturing, which is for us the crucial matter, increased by half, or from 62.4 in 1919 to 100 in 1929. As would be expected, the index of man-hour productivity in manufacturing went right on rising during the depression, thanks to elimination of less efficient equipment and workers and more assiduous effort on the part of those who still had jobs, so that the figure in 1935 stood at 121.5. This last was in spite of the retarding influence of the National Industrial Recovery Act, discussed below, which in several ways reduced the productivity of the working force and kept relatively inefficient plants operating.

Consumption Lagged Behind Productive Capacity

While manufacturing production had fallen in 1932 to half what it had been in 1929, and man-hour productivity had advanced 10 per cent, engineers and others calling themselves Technocrats laid the breakdown of the price system to growing industrial proficiency. They startled the country with their examples and their generalizations. Productive capacity, portending plenty, was in conflict with prices, which depended upon relative scarcity. Production, they said, had reached a strength and magnitude where it must destroy the fetters of price or it would come to frustration and itself be destroyed. This latter was just what had happened. Particularly the most outmoded prices, called debts, were so high that they could not be paid in the new era of low prices decreed by abundant productive capacity.

Investigators chosen because they were more moderate than the Technocrats elicited from representative industrialists estimates that the output of their industries could be increased between 85 and 90 per cent and of all industries nearly 80 per cent if the best existing practice were universally followed. Studies of the Brookings Institution showed that in the most prosperous years some 20 per cent of America's installed productive capacity was unused. The Technocrats drew a sharp distinction, which the economist Veblen had earlier dramatized, between engineering and business enterprise, between the direction of industry by applied science and its control by the motive of money-making. In



CONTEMPORARY CARTOON

Cartoon by William Ireland in the Columbus Dispatch, 1933.

a power age, they said, engineers, if given authority, could push aside the bungling waste of the business man and furnish ample supplies of goods and services to banish poverty and unemployment.

Critics soon replied that some of the examples of increased productivity cited by the Technocrats were exaggerated, others were not typical, and anyway, only a fourth of the gainful workers in 1929 were in industries subject to such phenomenal technological progress. "Technological unemployment," the war of machines on men, said these critics, would be self-correcting, leading to lower prices and fuller opportunities for work, if not in that industry, then in others. We cannot here go into the deep differences between the Technocrats and those who seek to refute them. The rise of the school was significant of a patent maladjustment in our economic life.

In the decade 1919 to 1929, the share of labor in money wages, speaking roughly, expanded almost as fast as the productivity of labor, but real wages, or what money wages would buy at retail, advanced less rapidly than productivity. The increase of real wages was one fourth for the decade, or on the average about 2.5 per cent annually,

while productivity was about 4 per cent annually. The cost of living, though with a sharp rise in 1920 previous to the depression of that year, fell slightly in the decade, while average hourly earnings in manufacturing went up about ten cents. The average full-time worker in manufacturing got $1114 a year in 1919 and $1337 in 1929. However, because of irregularity in employment, the wage-earner who was "on the payroll" and the worker who regarded himself as "attached" to an industry did not, of course, enjoy full-time wages nor register such a gain in money wages.

It is difficult to know how prosperous the worker was in the "New Economic Era." While the growth of public services — in education, health, recreation, and so on — added to real income, unemployment, which averaged around 7 per cent, was pronounced in 1924 and 1927 and amounted to some three million workers in the peak year 1929. Besides increasing productivity and failure of purchasing power to keep up with it, two factors in this period bore upon employment. These were (and are) the increasing proportion of the population within the working ages and the increasing proportion of workers employed in large establishments.

The population change is due, of course, to the declining rate of population growth, which means that the whole contains a larger proportion of persons between the ages of fifteen and sixty-five. Also, with the curve of population growth flattening out and promising to stop rising altogether by about 1970, there are relatively fewer mouths and backs to eat and wear what we produce with ever-increasing facility. The internal migration of population in the decade 1920 to 1930 changed its direction, and flowed from country to city, urban population growing by 14,600,000 and farm population declining by 1,200,000. At the end of the prosperous years, almost a third of the population was in cities of 100,000 and bigger. The concentration was really greater than this, since many classified as living in smaller places were, thanks to the automobile, suburban to great centers and were entirely or partially dependent thereon. The decline of manufacturing wage-earners' jobs by more than half a million in the decade was accompanied by a rapid growth in "white collar" (clerical and professional) and service workers. Better education, urbanization, the presence of more older workers all contributed to this result. Some have thought the increasing proportion of white-collar and service workers a pronounced weakness of the prosperous period, this bloc being dependent for livelihood on the fortunes of goods producers.

Profit Concentrated, Prices Controlled, Wages Tardy

Concentration of the bulk of industrial workers in large establishments was another vulnerable feature of the period. At the end it was found that plants employing 250 or more workers, while numbering only 4 per cent of all plants, had 4,500,000 workers, more than half of the total. These larger plants are the less stable units from the standpoint of the workers, of production, and of the economy generally. They are more likely than smaller plants to be linked in mergers, which were notably on the increase, so that they were governed by the decisions of fewer men. These big establishments are more apt than small ones to introduce labor-saving equipment. Further, skill of workers is less a protection to them here because division of labor is carried to great lengths, and the learning period is short in the mass-production factories. Also, where control is concentrated, if demand falls off we do not find a lowering of prices, but maintenance of prices and lowering of production. This was seen, for example, in steel, cement, and automobiles, where prices, instead of responding to demand, were "administered" by the centralized industries. This is chiefly because, with relatively large overhead, materials and labor are their only flexible costs. But this curtailment of output makes less work there and in all the dependent industries, reduces purchasing power, and contributes another to the number of rigid prices which render readjustment difficult.

Growth in wage income did not keep up with growth in total national income. In the decade 1919 to 1929, per capita income increased 23 per cent, but distribution was increasingly uneven during the period. Farmers did not get more, salaries probably advanced in the total because there were more of them, but while manufacturing wages grew by about a third, corporate manufacturing profits increased by two thirds. Profits were concentrated in the big businesses. In 1929, the peak year for profits, less than three tenths of all corporations, those with a million dollars or more income, got 80 per cent of the income of all corporations; that is, the biggest 1349 corporations had income of about $7,000,000,000, while 454,600 smaller corporations together had $1,740,000,000. In this same year, 68 "super-colossal" corporations, with income of $20,000,000 or more each, got 35 per cent of total corporate income. Also, the million-dollar corporations had been getting an increasing share of corporate income; they had 65 per cent of it in 1925 and more each year up to the 80 per cent of 1929. They held to this relative advantage after depression struck; in 1930–32, nearly a

thousand of the biggest corporations had net income of $4,500,000,000, while all the rest together had a deficit of $12,500,000,000. Not only was there this concentration of prosperity within the field of business enterprise, but there were marked geographic and industrial contrasts. The Middle Atlantic, East North Central, and Pacific states were more prosperous than the rest, and cotton manufacturing and soft-coal mining were even then recognized as "sick industries."

Effects of Wartime Control of Railroads

The railroads were also ill, requiring government doctoring. The period of war control was a turning-point in government attitude toward the railroads, and was followed, more slowly, by a change in public opinion also. The roads emerged weakened physically and financially. They were threatened in a new degree by competition of motor, water, and pipe-line transport. Advantages of enforced unity and system, rather than of mere regulated competition, had been demonstrated. So fear of the railroads' power began to be replaced by solicitude for their rescue and stabilization in their own and the public interest.

The Transportation Act of 1920, returning the roads to their private owners, commanded the Interstate Commerce Commission to work out plans for supervised railway combination. The roads, aided by a 40 per cent increase in freight in the prosperous years following 1921, and helped by significant economies and improvement in equipment and service, responded to the business opportunities in the "New Economic Era." The year 1926 was the high-water mark of their success. There were discouragements in increasing competition of other carriers (especially the truck, bus, and private car), loss of passenger revenues, and mounting wages and taxes, but in the face of these the lines doubled their net operating income between 1921 and 1926.

Meantime, government plans for supervised consolidation, further to increase efficiency, went on haltingly. William Z. Ripley, for the Interstate Commerce Commission, announced in 1921 a tentative plan for grouping of the railroads into eighteen or nineteen systems. It was hoped that this, among other objects, would help to solve the problem of the weak roads. The Transportation Act of the year before had embodied a new theory of government oversight. The railway system was to be treated as a whole. In addition to maximum rates, minimum rates were to be set by the Commission to prevent some roads from being destroyed by competition of stronger rivals. Further, the "recap-

ture clause" provided that notably prosperous roads should help those with depleted treasuries. A carrier receiving for the year a net operating income in excess of 6 per cent of the value of its physical property should put half of this excess in its own reserve fund and pay the other half into a "general railroad contingent fund," from which loans would be made to less successful lines to enable these to discharge their debts or buy equipment. This provision was bitterly fought by the dominant roads, with the result that they got a retroactive repeal of it a dozen years later. The government believed that greater uniformity in the rate structure was desirable and that grouping of roads would serve this object, putting in high-cost with low-cost lines.

Protracted hearings in 1922–24 showed that few favored the proposed scheme. The strongest roads, not needing help themselves, did not want to be saddled with the weakest; the poorest feared loss of autonomy. Railroad labor was opposed because combination would entail discharge of many workers. Some roads, however, which were on the make and saw themselves becoming dominant in their areas if the new scheme carried, were favorable. The Commission itself was split on the proposal, could not resolve the confusion, and repeatedly asked Congress to be let off from the requirement that it devise a plan of consolidations. This reluctance of the Commission was in contrast to the alacrity of some railroads to accomplish their own *de facto* combinations, principally by use of the holding company over which the Commission did not have control. The Van Sweringens of Cleveland added to their original Nickel Plate the Chesapeake and Ohio and other roads until they had a line from the Mississippi to Buffalo and reaching the Atlantic at Norfolk. Purchase of shares in rival roads excited an already booming stock market. The Van Sweringens captured the big Missouri Pacific and the Kansas City Southern, and united with the Baltimore and Ohio and New York Central in working out a plan for eastern consolidation which, it was hoped, the Commission would accept. The Pennsylvania and certain other roads would not agree, however, with the result that each of the conferees proceeded with its own amalgamations.

By 1929, when the Commerce Commission's formal plan for nineteen systems was brought out, prosperity was ready to give way to panic and depression in which the roads were more eager to borrow from the Reconstruction Finance Corporation than to buy each other. Soon, however, the railroads' very necessities persuaded them to offer a scheme for seven systems which they declared would turn a quarter-billion dollar deficit into a half-billion surplus. The plan was considered to be

too ambitious. Labor fought it, but following its rejection came the Emergency Railroad Transportation Act of 1933. This gave the Interstate Commerce Commission some control over railway holding companies, but more importantly it created the office of Federal Co-ordinator of Transportation, who was to "encourage and promote or require" railways to "avoid unnecessary duplication of services and facilities." Joseph B. Eastman, who had been a member of the Commission, was named co-ordinator. He was restricted because he was not to propose any plan that would reduce wages, but before his office was abolished he had performed conspicuous service by arguing that the problem of the railroads could best be solved by national ownership and operation. Despite giving of generous loans to railways by the Reconstruction Finance Corporation, one-third of the mileage was in bankruptcy. The roads were recognized as chronically sick, from reduced share of traffic, heavy debt, and duplication of services. This condition was intolerable for the country and for the roads themselves.

The aim of enforcing competition had been relinquished years before; that of regulating monopoly seemed ready for abandonment. One reason for this was the substantial failure of the elaborate attempt to value railway property as foundation for rate-making. After more than twenty years of work and expenditure of $48,000,000 on the survey (many times what had been supposed necessary in the beginning), the desired answer was almost as far to seek as ever because of the passage of time and inability of the Supreme Court to supply any formula which the Commission would accept in interpretation of the mass of figures.

The period 1922 to 1929, as mentioned earlier, was often spoken of as that of "automobile prosperity." Construction and repair of cars amounted to about $4,000,000,000 annually between 1925 and 1929. In each of these years except 1927, new car sales were well over 3,000,000, and in 1929 over 4,000,000. In these five years cars in use increased more than 40 per cent, despite the scrapping of cars at a wasteful rate. The output of trucks increased faster than that of passenger automobiles. The motor industry was estimated to employ some four million workers directly and indirectly. It reached back to expand freight, production of steel, lumber, glass, textiles, and rubber, and reached forward to increase the petroleum industry, all that entered into highway construction, and new suburban housing. The automobile was the greatest single factor in swelling installment sales. The growth of the industry was both cause and effect of a higher standard of living, more leisure, mechanical turn of the people, improvement in quality with lowering

of price. "Two cars in every garage" was an ill-fated prosperity slogan of Herbert Hoover when running for the presidency, because the relative saturation — a high percentage of the cars in use being new — invited drastic decline in automobile production when middle-class and working-class incomes shrank with depression. In the worst year only a third as many new cars were sold as in the average of prosperous times. In the five years following 1929, average production was less than two thirds of what it had been, despite every effort of the "New Deal" to recuperate the industry as the "spearhead" of recovery. Old cars, now that it was necessary, were used longer before being scrapped; gasoline consumption increased in depression.

We have just referred to installment sales of automobiles. "Time payments" had long been a familiar method of buying homes, pianos, and other durable and relatively expensive things. The device was now rapidly and widely extended to embrace all sorts of goods and services. Special finance companies sprang up to furnish the necessary consumer credit. Installment buying was a way of maintaining or expanding the market for household equipment, clothing, and countless other items after ready purchasing power had reached its limit. Without this borrowing from the future, the speed of prosperity production and consumption would have been reduced earlier, thus lessening the violence of the breakdown when it came. The Department of Commerce estimated that installment sales in 1929 amounted to $6,500,000,000, or 13 per cent of total retail sales.

Unequal Distribution of National Income

Another potent force in creating prosperity was construction. Residential housing, unlike the automobile industry, did not have a large and steady replacement market to supply, but relied on expanded demand; new housing in the prosperous years was on the average ten times as great as the demolition of dwellings. This contributed to a peak in residential construction occurring earlier than in manufacture of cars. The boom that began in 1921 as a result of virtual stoppage of construction during the war swept up to a high point of 951,000 new units erected in 1925, after which there was a decline to half as many in 1929. From 1923 on, the growing percentage of vacancies foretold a falling off in new building. Unhappily, abandonment of bad housing was not an important cause of vacancies. There was little building either of apartments or of dwellings for families in low income groups.

The saturation point in public construction was not reached in the middle of the decade, as that in housing had been. There was a pause about this point, but then bond issues were willingly voted for schools, highways, courthouses, museums, and stadia, so that the peak of public construction was in 1929 (some $3,500,000,000). Thus expansion of public and semi-public building compensated for the sag in residential construction. During the depression enormous expenditures were to be made on public works as a means of recovery, for these had been a sustaining power when private building declined during prosperity, and afterward seemed the only hope.

We may only mention the part played in prosperity, seeming and real, by durable consumers' goods aside from automobiles and housing — radios, electric refrigerators, washing machines, vacuum cleaners, and furniture, which in the aggregate bulked larger in value (the 1925–1929 average amounting to $5,000,000,000 or more) than the new car and the new home. In varying degrees, like the others, they were bought largely on credit, helping to call into existence the whole new business of consumer financing. Opportunity of making payment in installments broke down "sales resistance" when nothing else could. But this device was a token of dangerous prosperity, an expansion beyond what true consumer buying power could support, so that when the limit was reached, underlying production contracted. When workers were thus laid off, the descent to depression was accelerated, because there was further restriction of installment sales, and the resolve to meet old payments rather than lose the cherished goods meant less income available for other buying, even for some necessities.

Continued optimism of "New Era" industry and commerce came up against the stone wall of grossly unequal distribution of the national income. It is to be remembered that even in 1929 some 16,000,000 families, 60 per cent of the total, received less than $2000 each, less than enough to live at the standard of minimum health and decency. Forty per cent of all families, nearly 12,000,000, got less than $1500, and 20 per cent, or 6,000,000 families, less than $1000. In contrast, the richest tenth of the population (roughly the $5000 class and up) received a third of the national income. This high income group made 86 per cent of the savings. The 80 per cent of families at the bottom of the income scale saved only 2 per cent of the total. The $13,000,000,000 of private savings of the wealthy, as we saw before, went into more production as long as there was call for it, and then a large part was poured into speculation in the belief that industrial expansion, though already checked, would continue.

Federal Reserve Encouraged Easy Credit

The policy of the Federal Reserve Board between the depression of 1920–21 and that of 1929 was disappointing to those who had regarded the Reserve System as a central bank with official responsibility. In fact it never had that character. It was privately owned, and so its control by the Board in the public interest was all along uncertain and difficult. The government's use of the system in the emergency of the First World War as a handmaiden of the Treasury prepared the way for difficulties when peace returned. The Treasury had made the Federal Reserve the instrument of financing the war, at this time disregarding the limitations intended to surround Reserve credit and note issue. It is not strange that when business resumed power after the war, it should similarly misuse the Reserve System. Business control of the Federal Reserve in the period of prosperity from Harding to Hoover was much easier because Andrew W. Mellon, Secretary of the Treasury and Chairman of the Reserve Board, was quite as much in the market-place as at the seat of government.

With intervals of contraction during the "New Economic Era" the policy of the Reserve Board was one of easy credit. The means were low rediscount rates which invited borrowing, and Reserve purchases of securities in the open market which put money with the member banks and thus increased their lending power manyfold. These devices were used in 1922 to assist recovery from the depression. With revival, credit was restricted, but with fresh recession in 1923–24 it was again expanded and this policy was continued into the recovery of the latter half of 1924, even though European gold flowing to this country was causing speculation. During 1924 the Reserve Banks put $400,000,000 in circulation by purchasing government bonds, and lowered the rediscount rate from 4½ to 3 per cent.

Domestic needs were thought to be served by helping England and other European countries get back on the gold standard. The first requirement was to stop the flow of European gold to America. If the flood continued, Europe would be weakened beyond the possibility of early recovery and America would suffer from inflation of prices. The method was to keep down interest rates here, then gold would not be attracted to us as a lending market, and European countries would retain resources necessary to confidence in their currencies and economies. Further, low money rates here would encourage European buying of our agricultural surpluses, which were unable to find foreign

markets from several causes, not least our high tariff which reduced the manufactured goods which we would take from Europe.

The question was how to make American credit plentiful without overexpanding business and inviting a speculative boom. For a while watchfulness by the Federal Reserve prevailed. Beginning early in 1925 securities were sold, and the New York rediscount rate was raised, this policy being continued through 1926. England had gone back to the gold standard, though prematurely, as was to be evident a half-dozen years later. Then in late spring of 1927 the easy credit policy was restored. Europe was losing gold to America again. We must help England remain on the gold standard, which was the more difficult because, when France stabilized her currency, gold began draining from London to Paris. Heads of the central banks of England, Germany, and France came over for conferences with the New York Federal Reserve Bank, which was nearly autonomous in foreign financial diplomacy, though the foreign bankers consulted with the Reserve Board also. Rediscount rates were lowered from 4 to 3½ per cent and in the remainder of the year 1927 the purchase of securities by the Reserve System released $300,000,000. Reserve Bank loans increased by more than $500,000,000.

American industry sagged at just this time (summer of 1927), unemployment became pronounced, and so cries at home for easy credit reinforced the Federal Reserve policy. But the need of industry and agriculture was not for more credit to permit them to resume orderly progress. Both were overexpanded and lacked markets. Wages had risen only slightly, and workers had relied more and more heavily on installment buying. Europe's agriculture was reviving, and she bought our foodstuffs and cotton only because we lent her the money to do so. Additional bank credit found its way, directly and indirectly, not to business, but to the rising stock market. Commercial loans shrank. Business supplied its needs less from banks than from corporate surpluses and from the sale of securities to an eager market. Funds not needed in industry and commerce were lent in Wall Street. Investment trusts collected from many of small means who wanted to have their share in the bull market, and their purchases pushed up stock prices. Foreigners sold their securities here, and lent part of the proceeds to stock-brokers. When some, looking at the indexes of production and commodity prices, declared there was no justification for the booming stock market, and Wall Street began to believe them, the President and Secretary of the Treasury would come out with reassuring statements that business was

"fundamentally sound," and that prices of stocks — worth-while ones, at least — were not excessive. Then the market would rebound. The most important figures in finance trooped to the White House for lunch, President Coolidge gloried in their optimism, and listened absently to less prominent prophets who foretold disaster. The easy credit policy of the Federal Reserve gave the most powerful push of the several that the stock market received. That had supplied the initial impulse, and sustained it until other forces added to the momentum. Federal Reserve credit was used for loans to brokers or to release to the stock market bank funds otherwise available for business.

Restriction Came Too Late

The Reserve Board, belatedly sensing what was happening, restricted member bank credit late in 1927 and early in 1928, but without effect on speculation, for the stock market got funds from non-member banks, from corporations, and from Americans who cashed their investments in Europe and brought the money home to take advantage of high call-loan rates and brilliant prospects in Wall Street. The Federal Reserve System was being detoured by the stock market. The Board was unwilling to raise rediscount rates further from fear of hampering legitimate commerce, industry, and agriculture.

By early 1929 something obviously had to be done to prevent the further use of Federal Reserve credit to stimulate and sustain speculation. In February, 1929, the banks were admonished by the Board to preserve spirit and letter of the Federal Reserve Act by refusing to use the facilities of the system to inflate the market further. The New York Bank begged that rediscount rates be raised, but the Board demurred, saying that its warnings were taking effect. The stock market did recede late in March, but recovered the next month and thereafter sky-rocketed to the crash of October. Stocks rose by 20 to 60 per cent. In the summer of 1929, indexes of physical volume of production and trade turned downward, portending a collapse of the economic foundation. Few regarded these danger signals.

The impressive committee (Herbert Hoover was chairman) which in 1929 signed the report on *Recent Economic Changes in the United States* was, with few misgivings, as buoyant as the man in the street. The committee ran through the list of characteristics of the period 1922 to 1929 — the increased application of power in production and transport, hand-to-mouth buying and installment selling, unemployment due to

improved machinery — only to conclude that these developments had not brought changes "in structure but in speed and spread." Hoping that balance in the economic organization would be maintained by steady watchfulness and co-operative effort, the report ended: "Our situation is fortunate, our momentum is remarkable." [1]

Banks, business, and wholly uninformed speculators in the general public, strode forward to the stock-market crash of October, 1929. In two weeks after the collapse, the liquidation of loans on Wall Street amounted to some $4,000,000,000, and by the end of the year four hundred common stocks were 35 per cent below their peak.

This period showed that the Federal Reserve System did not control the country's volume of credit or the uses to which it was put. It is true that the times, following the First World War, were phenomenal for us as well as for Europe. Political power on the Federal Reserve Board was too strong, *ex-officio* members who represented the administration wanting to keep the party in favor by preserving prosperity. Many felt that the primary function of the Reserve System was not to prevent fluctuations, but to supply the credit needs of industry, commerce, and agriculture. The system, however, was expected to police its member banks, but in little over three years after the stock-market crash every bank in the country was to be shut. Again much could be said in extenuation, and assurance was given that the amendments promptly made in the system corrected the demonstrated defects.

The Course of the Great Depression

We may describe the main features of the depression in terms of the *New York Times* weekly index of business activity. It is made up of changes in what are considered representative items in production and distribution — car loadings, production of steel ingots, electric power, lumber, automobiles, and paperboard (this last since 1938), and cotton mill activity. No one base year is taken, but the "estimated normal" is 100. Noting just the major movements, the combined index the last week in January, 1929, was 110. Irregular gains brought it to a peak the last week in June of that year (114) to which it was not to return for more than eleven years, until November, 1940. The drop beginning

[1] Edwin F. Gay, in his introduction to the factual exhibit by the National Bureau of Economic Research, was more realistic, suggesting that "there now seem to be differences of degree which approach differences in kind," and, "Some of the basic elements of the problem are evidently in process of change."

thus in the early summer continued for several months with the stock market taking no warning from what was happening to industry. At the end of the year the index stood at 100. The trend was toward a slight recovery until April, 1930, when the figure reached 103. Then the downward drop was resumed until the beginning of 1931, when the index had sunk to 86. Improvement, rather steadier than that of a year before, carried the number in April of 1931 to 90. Then began the drop again, continuing twice as long as either of the preceding downward steps, until in August, 1932, the index was only 62. Now began the pickup which President Hoover considered resulted from his policies and which would have continued to full recovery, he said, but for the country's apprehension of what President-elect Roosevelt would do when he should take the helm. The index rose to 72 in October and November, and fluctuated slightly until it reached its temporary height of 73 the first week in January, 1933. Then began accentuated hoarding, flight of gold from the country, more bank failures which were arrested only by declaration of bank holidays, increasing industrial layoffs and shut-downs, which carried the index in little more than two months by a steep decline to 67 the day President Franklin D. Roosevelt took office, and to 63, two weeks later (March 18, 1933). Recovery, as rapid as had been the last decline, followed in the next four months; most of the banks had been reopened, there was a return of hope assisted by stocking-up of goods in advance of price increases promised by the National Recovery Administration, and inflation seemed on the way. The index reached its peak for the time being in the middle of July, 1933, when it was 93, or back to where it had been in the autumn of 1930.

This false prosperity of the first months of the New Deal faded, and the index went downhill until half the gain had been lost, the figure in November, a year after Roosevelt's victory at the polls, being 76. Going up another incline, though not quite so high as that of the summer before, the line then turned downward, reached the lowest point to be touched under the New Deal — 75 in September, 1934 — which was no higher than the figure in January, 1932, when the Hoover administration was unable to reverse the decline.

We need not follow in detail the generally upward trend, covering nearly three years, to a new peak of 111 in mid-August, 1937, which was higher than the index of business activity had been in about eight years, since September, 1929. The belief that the country was practically over the depression, the hopes for steady improvement, were now bitterly disappointed. Business suffered a major setback ("recession" it was

generally called), the index dropping precipitately, with only a few breaks toward the end of the period, to 80 in May, 1938. It is most commonly thought that this slump was caused by temporary abandonment by the federal government of its spend-lend, "pump-priming" policy, which had resulted in increased demand on the part of consumers. The New Deal listened to critics of the mounting deficit, business men chief among them, and was anxious to believe that enough momentum had been imparted to the economic system to permit private enterprise to carry forward with less government help. Since 1934, some $14,-000,000,000 had been spent on recovery and relief, most of it going as directly as possible to consumers. Payment of the soldiers' bonus had put money in hands that had long been without. During the lean years, durable consumers' goods were being worn out and were not replaced. Now with something to spend, and assisted by $5,000,000,000 of installment credit, automobiles were bought, and the revival of this industry reached back with its beneficial effects into production of steel, glass, rubber, and textiles. Residential building improved. When government suddenly stopped its extraordinary expenditures and said that business, which had pleaded for the chance, should take hold, depression ensued. The most needed goods had been bought, installment credit had reached its limit, and money no longer flowed in the former volume to farmers in benefit payments or to the unemployed. Investment and production were not prepared to take the lead. They had warily followed consumer buying, and when this failed, instead of delivering a stream from the deep well of renewed industry, the pump gasped.[1]

From the pit of the 1937–38 recession we crawled upward, with several slips, to a new height when the Second World War started, and the index number stood at 113 at the end of the year 1939, almost equal to its maximum in 1929. Then a drop in the winter and early spring of 1940, when the upswing began again, reaching a new high of 121 at the end of 1940, and standing a year later at about 135.

Even this outline treatment of the course of the depression is confusing. We may summarize the whole as delineating three periods: (1) a long decline from the summer of 1929 to Roosevelt's inauguration in the spring of 1933, during which the index dropped from 114 to 63, say to nearly half the business activity at the top of the "New Economic Era"; (2) a long ascent, less regular, but roughly of the same length (about four years, to the autumn of 1937) and almost regaining the 1929 height; (3) in the next four-year period, after a sudden deep drop, again the

[1] See Alvin H. Hansen, *Full Recovery or Stagnation?*, chap. XVI ff.

general upward climb. Put differently, in the Hoover term American business took a long step down; in the Roosevelt administration, an equally long step up, half a step down, and another step up.

The differences between the policies of Presidents Hoover and Roosevelt for dealing with the depression were great, but they may easily be exaggerated. It must not be overlooked that important devices which Roosevelt's New Deal developed or used were initiated in Hoover's term, many of them only after Hoover had overcome congressional lethargy or opposition, much of it from Democrats who were afterward to condemn him for ineffectiveness.

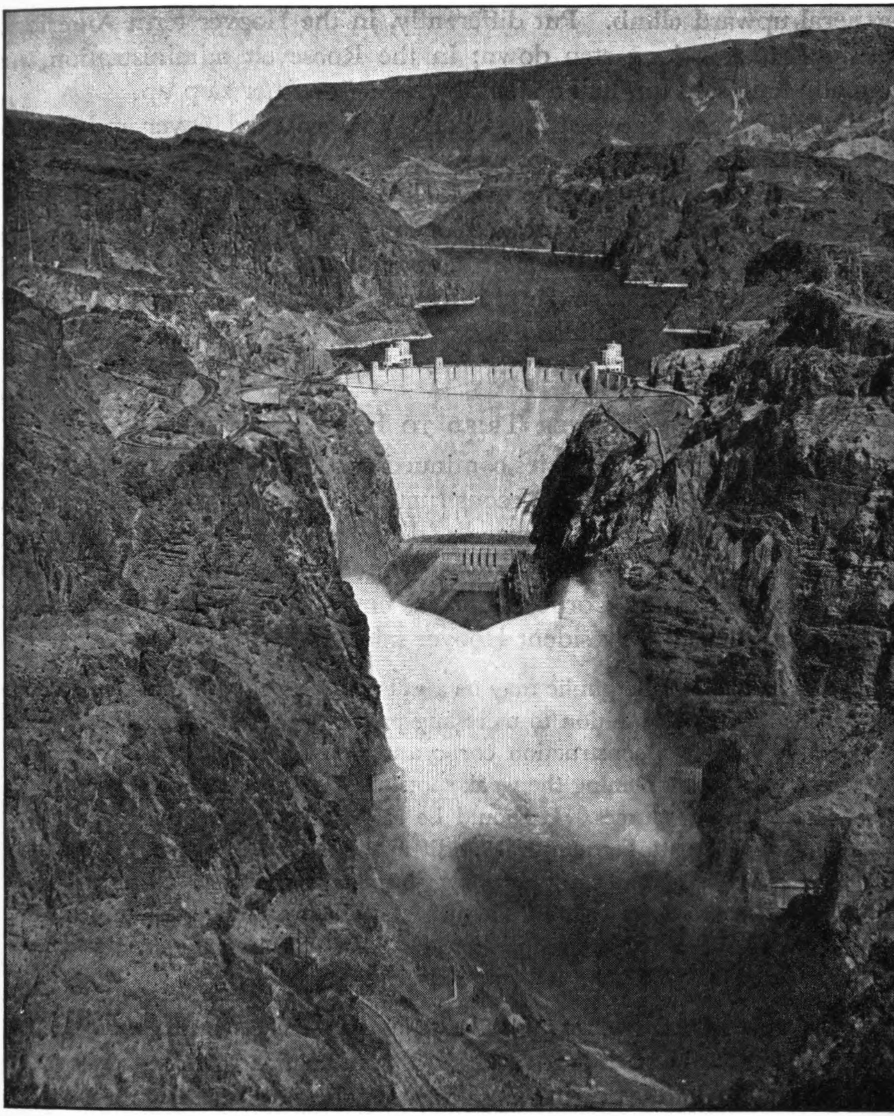
How Hoover Tried to Help Recovery

Among the Hoover agencies continued and enlarged by the Roosevelt New Deal the chief was the Reconstruction Finance Corporation, which was urged in the annual message of December, 1931, and established by law in January, 1932. The government subscribed $500,000,000 capital to it, and the Corporation was empowered to borrow $1,500,000,000 additional. President Hoover said:

> In order that the public may be absolutely assured and that the government may be in position to meet any public necessity, I recommend that an emergency reconstruction corporation . . . be established. . . . Its purpose is by strengthening the weak spots to thus liberate the full strength of the nation's resources. It should be in position to facilitate exports . . . make advances to agricultural credit agencies where necessary to protect and aid the agricultural industry; to make temporary advances upon proper securities to establish industries, railways, and credit institutions which cannot otherwise secure credit, and where such advances will protect the credit structure and stimulate employment.

The Reconstruction Finance Corporation, one of the most versatile and powerful means of giving government support to a tottering economic structure, was employed in many ways by Hoover, and in Roosevelt's hands became hardly less than a public instrument for direction of the flow of investment funds, if not toward public control of capital resources.

Hoover early began and constantly enlarged a program of public works, incidentally asking to have all such efforts consolidated under the style "Public Works Administration." Hoover said truthfully that "As an aid to unemployment the Federal Government is engaged in the greatest program of public-building, harbor, flood-control, highway, waterway, aviation, merchant and naval ship construction in all his-



Brown Brothers

HOOVER DAM IN COLORADO RIVER

tory," expenditures on which would reach $780,000,000 in 1930 as compared with only $260,000,000 in 1928. He tried to stimulate construction by the states, municipalities, and the great private industries.

He sought to lessen bank failures and the resulting distress by several devices, the chief of which was the National Credit Association. Calling

in thirty financial leaders early in October, 1931, the President reviewed the new alarm which had followed England's departure a fortnight before from the gold standard. Hoarding had reached $150,000,000 a week, bank failures had exceeded $500,000,000. He proposed that banks establish their own credit agency, with $500,000,000 capital, all banks subscribing two per cent of their deposits. This National Credit Association should come to the assistance of banks threatened by runs through rediscounting assets not then eligible in the Federal Reserve System. It should also make loans against assets of closed banks in order to make possible early distribution to depositors. This bank relief association was promptly set up though it proved unequal to its task. The President's proposal that insurance companies similarly form a national mortgage discount system to prevent unreasonable foreclosure on homes and farms was rejected.

Hoover aided the banking system through several sorts of government action, the most conspicuous being that of February, 1932, to prevent this country from following so many others off the gold standard. Foreign drain had reduced the gold stock by $1,000,000,000, gold hoarding had caused an increase in Reserve currency of $1,500,000,000. The amount of "free" gold that could be exported was $433,000,000, and, since this was being drawn down at the rate of $150,000,000 a week, we seemed on the verge of embargoing gold or refusing to convert the paper money into gold, either of which meant leaving the gold standard. The relief measure immediately devised freed nearly $1,500,000,000 of gold in the Federal Reserve Banks. Since there was a dearth of eligible commercial paper, the Reserve Banks had to hold more than the statutory 40 per cent gold against Federal Reserve notes. The method now used was to make other paper eligible for rediscount, and especially to make government bonds legal as coverage for the currency beyond the 40 per cent gold reserve. Hoover inaugurated plans for safeguarding bank depositors which anticipated the later Federal Deposit Insurance Corporation.

The best-known agency of the Hoover administration to assist agriculture was the Federal Farm Board, set up in 1929 after having been proposed by Coolidge. With a revolving fund of $500,000,000 supplied by the government, it lent on and bought up surpluses of farm staples, mainly cotton and wheat, and in several ways tried to cushion the fall of farm prices. The radical defect of this scheme, which terminated its career, was that it subsidized overproduction, since it contained no provision for limitation of farm output as a condition of receiving financial

assistance. Hoover expanded and adapted other federal agencies to assist distressed farmers, especially those burdened with mortgages on which they could not pay in spite of all their efforts. He secured, after long objection in Congress, additional capital for the Federal Land Banks to permit postponement of foreclosures and to lower rates of interest on farm loans.

President Hoover came to the aid of home-owners in a number of ways, notably through assistance to building and loan associations, and proposed Home Loan Banks. He pleaded for maintenance of wages and the spreading of work so as to reduce complete lay-offs. There were other respects in which he anticipated, in most of the areas of national life so woefully hit by the depression, the policies which were given greater force by the New Deal. Republicans contended that the Hoover policies were overcoming the depression by the summer of 1932, as shown by important indexes, and that only the victory of Roosevelt and the fear of inflation which he inspired turned the curve of economic recovery into one of relapse.[1]

Shortcomings of Hoover's Policies

We may consider some of the reasons why Hoover — or really the economic and political cast of mind which he represented — failed, so that at the end of his term the President was calling for the collaboration of the President-elect. In the first place, Hoover did not have control of Congress, but was obliged to rely on concessions to him in both branches. The House was Democratic, and while there was nominally a Republican majority in the Senate, the bloc of Progressive Republicans in fact palsied the President's grip there. This congressional opposition, though adjourned on some occasions of obvious danger, was responsible for loss of valuable time and was an obstacle which the President could not overcome.

Second, Hoover addressed himself too little to domestic remedies. He persisted in blaming the depression in America — aside from the evil results of the collapse of our speculative boom — on the sinister

[1] A completely favorable picture is to be had in William Starr Myers and Walter H. Newton, *The Hoover Administration: A Documented Narrative*. This volume, almost a day-to-day record, does much to exculpate Hoover of the charge of confusion and futility, which soon became so popular, by showing the constructive measures which he devised and fought for. Its bias, however, fails to sense fundamental lacks which were present, at least in the wisdom of hindsight; it gives an unreal account of Hoover's approval of the Hawley-Smoot Tariff which helped to bring on America's troubles, and of the attack on the "Bonus Army" which evidenced a presidential fright not forgotten by the country in the next election.

influence of European or world economic breakdown. Thus, he told Congress at the end of 1931:

> The chief influence affecting the state of the Union during the past year has been the continued world-wide economic disturbance. Our national concern has been to meet the emergencies it has created for us and to lay the foundations for recovery. . . . The economic depression has . . . deepened in every part of the world. . . . In many countries political instability, excessive armaments, debts, governmental expenditures, and taxes have resulted in revolutions, in unbalanced budgets and monetary collapse and financial panics, in dumping of goods upon world markets, and in diminished consumption of commodities. Within two years there have been revolutions or acute social disorders in nineteen countries, embracing more than half the population of the world. . . . These disturbances have many roots in the dislocations from the World War. Every one of them has reacted upon us. They have sharply affected the markets and prices of our agricultural and industrial products. They have increased unemployment and greatly embarrassed our financial and credit system. As our difficulties during the past year have plainly originated in large degree from these sources, any effort to bring about our own recuperation . . . dictated the necessity of co-operation by us with other nations in reasonable effort to restore world confidence and economic stability. . . .

He was not unconscious of our own misdeeds, but subordinated them to misfortunes engendered abroad, for he added:

> Although some of the causes of our depression are due to speculation, inflation of securities and real estate, unsound foreign investments, and mismanagement of financial institutions, yet our self-contained national economy, with its matchless strength and resources, would have enabled us to recover long since but for the continued dislocations, shocks, and setbacks from abroad. . . .[1]

President Hoover's concern over the impending economic and financial collapse of Austria and Germany, beginning with the failure of a great bank, the Credit-Anstalt, in Vienna, resulted in his successful proposal in June, 1931, of a moratorium on intergovernmental debts. The subsequent "standstill" agreement was that enormous short-term loans made to Germany, which she was unable to repay then, should be continued, and new funds be placed at her disposal. Particularly in

[1] In the middle of the year 1931, Hoover said in an address at Indianapolis: "As we look beyond the horizons of our own troubles . . . we know that the main causes of this extreme violence and the long continuance of this depression come not from within but from without the United States. Had our wild speculation; our stock promotion with its infinite losses and hardships to innocent people; our loose and extravagant business methods; our unprecedented drought been our only disaster, we would have recovered months ago."

the case of the standstill agreement, he went intimately into conditions in Germany and in her creditor countries, England and France. Both our Secretary of State and Secretary of the Treasury were in Europe, reporting to the President frequently by transatlantic telephone. While Hoover now discouraged proposals that American banks make any more loans to the Central Powers, he had sanctioned such loans before.

At the same time the President was organizing the world for rescue of Germany, the depression in America received no such spectacular redress. Soon Hoover was scolding the governor of the Federal Reserve Board because American banks had suspended with deposits of $1,500,000,000, on most of which there had been no payment, so that a million people had resources thus tied up or were actually thrust on relief. It was not the responsibility of the federal government to cure this situation, he said, but of the banks in a voluntary effort under leadership of the Federal Reserve System. While the contrast between Hoover's solicitude for relief of Germany and his neglect (if that is not too strong a term) of home sufferers from depression is clear, it should be said that he believed help to Europe was a means of assistance to ourselves. In September, 1931, when England had just left the gold standard, other countries were taking steps to protect themselves against dumping of British goods, and gold was being withdrawn from this country, Hoover invited Premier Laval of France to Washington to discuss the European situation. Nothing effective was done here to stem the tide of wage reductions.

It may be that what Hoover did to succor Europe was beneficial to us. This was a policy reaching from the Coolidge administration, as seen in the effort of the Federal Reserve System then to prevent the drain of gold from across the Atlantic. The same solicitude was to show itself in certain monetary policies of the New Deal, and later, in intensified form, in the lend-lease program of building up armaments of the democracies. The distraction of gaze to Europe did not belong wholly to Hoover. But subsequent events were to show that the same amount of effort applied to our domestic situation would have yielded more gratifying results to ourselves.

Deeper Causes of Depression Not Fathomed

In the third place, to Hoover this was essentially like other depressions, and we would emerge from it by patience and exercise of individual initiative. Thus, he said in May, 1931, at Valley Forge:

> Never was the lure of the rosy path to every panacea and of easy ways to imagined security more tempting. For the energies of private initiative, of independence, and a high degree of individual freedom of our American system we are offered an alluring substitute in the specious claim that everybody collectively owes each of us individually a living rather than an opportunity to earn a living, and the equally specious claim that the hired representatives of a hundred million people can do better than the people themselves, in thinking and planning their daily life. . . . We are still fighting this war of independence.

President Harding had talked about "normalcy" in the wake of what had been the world's greatest war, as though we could pick up where we left off without fundamental readjustments. The succeeding boom had been treated by Coolidge and others better qualified as not a peak but a "plateau," a new level of national prosperity which would stretch away indefinitely to the far horizon. It was not unnatural, therefore, that Hoover, when the stock market plummeted in October, 1929, and for some months thereafter, should keep saying that "underlying business is sound," and that "prosperity is just around the corner." It was hard to come at once from clapping of hands to wringing of hands. President Hoover was late in realizing that the depression was to be long and deep. Though this is readily understandable, it resulted in loss of valuable time in putting correctives to work.

Further, while Hoover had been chairman of the Committee on Recent Economic Changes which early in 1929 reported "an analysis of post-war developments in American economic life," he failed to interpret usefully the trends which had ushered in the depression. These summed up in the increasingly collective character of American economic life through technological improvements and concentration of control in the impersonal corporation. They argued the danger of continued reliance on a competitive mechanism which had served in an earlier day, but was now being progressively destroyed. The seeming prosperity had been unevenly enjoyed, and employment, which had sagged menacingly in 1924 and 1927, had been too largely supported throughout by our own financing of our exports and by installment buying on an enormous scale. President Hoover and his advisers never saw that the depression marked not so much a pause in progress as the end of an economic period.

The depression following 1929 was not just an unhappy episode, but a true crisis in the historic sense. As later events were to indicate, only collective action, led and supported by government, could attack collec-

tive ills. But President Hoover repeated the creed of reliance on individual action. This was well illustrated in his treatment of unemployment and in what was referred to as his "percolation" theory of encouraging revival. When the depression was just a year old, the President appointed a chairman for the national relief effort. There were at least 4,500,000 unemployed, which, with all the official paring of the figures, meant that 2,000,000 families, unless help came to them, would be in dire want during the winter. Hoover, it is accurately stated, "had organized and administered relief on a wider scale than any man in history," during and after the First World War and following the Mississippi flood of 1927. But he believed that relief in America should be decentralized, directed mostly by volunteer effort, and furnished principally by millions of private givers responsive to the needs of their unfortunate neighbors. So he said:

> The opening of the doors of the Federal Treasury is likely to stifle this giving and thus destroy far more resources than the proposed charity from the Federal Government. The basis of successful relief in national distress is to mobilize and organize the infinite number of agencies of self-help in the community. That has been the American way of relieving distress among our own people. . . .

Public bodies, national, state, and municipal, were to aid directly and indirectly, to be sure, but the chief recourse was to be to individual generosity, as through the familiar community funds. President Hoover was later forced to modify this view, but not until the inadequacy of his method was cruelly apparent to others, most of all to the unemployed themselves.

The routing of the "Bonus Army" at President Hoover's orders by federal troops with bayonets, gas bombs, and tanks in July, 1932, was more than a piece of political ineptitude. Rightly or wrongly, it was taken as indicating an attitude toward the destitute. For weeks unemployed veterans had been streaming into Washington to support the demand for immediate payment of the war bonus instead of waiting thirteen years, which to the penniless supplicants seemed an eternity during which they might not survive. The Senate rejected the plea, thousands left the capital, but other thousands remained in unused buildings in Washington or camped on the near-by river flats. Official fear of violence resulted in orders to troops to expel the veterans and burn their improvised shelters. The later claim of the administration that many in the "Bonus Army" remaining in Washington were not

veterans, but criminals and political trouble-makers, was not believed by those who were in closer touch with the men and their families.

Misfeasance in Finance

We have spoken above of Hoover's idea that federal funds bestowed at the top would "percolate" downward to the masses. On the whole, he considered that government relief to business owners and enterprisers was more immediately needed than relief to the millions whom business had deserted. The Reconstruction Finance Corporation was a sort of breadline for business. Bankruptcy reform, some of the banking measures, and plainly the Hawley-Smoot high tariff, were of the same character. There was confidence that a usually reliable economic mechanism was temporarily out of order and could be restored to wonted vigor by giving public assistance to the old managers. The majority of the American people, first loyal, then credulous, then confused, went on through the stages of skepticism, impatience, disbelief, and before the new administration came in was bitterly resentful of the old. The investigation of the Senate Committee on Banking and Currency into Wall Street miscreants before and during the depression topped off accumulating popular hatred of stock exchange manipulators and utility magnates who saved themselves while consigning to destruction little people who had trusted them. The probe, with Ferdinand Pecora as counsel, became what an apt commentator called "a sort of protracted coroner's inquest upon American finance." [1]

Men in the most responsible positions had added to enormous salaries the profits from trading in the securities of their own banks to the hurt of their stockholders and the cheating of their loyal employees. The financial engineering of holding company promoters was shown to have piled corporate story upon story for their own purposes. Utilities, such as electric light and power corporations, which had appealed to overcharged consumers to support them as emblems of solid private ownership, were revealed as looters of the public. These disclosures came on top of the spectacular suicide of Kreuger, the international match king, and the crash of the Insull electric empire a year before.[2]

[1] Frederick Lewis Allen, *Since Yesterday*, p. 168.

[2] It is suggested by Raymond Moley (*After Seven Years*, p. 176) that the Pujo Committee investigation of the "money trust" in 1912, Samuel Untermyer being chief inquisitor, "crystallized public hostility toward those whom F. D. R. was . . . to call 'the money changers.' Its findings gave the Wilson administration its initial impulse. The Federal Reserve Act would probably have been impossible without the Pujo fanfare." The Pecora investigation undoubtedly prepared America for approval of the Securities Act and the Securities Exchange Act of the New Deal.

Franklin D. Roosevelt's espousal of "the forgotten man," [1] beginning almost with his campaign for the nomination, appealed to people who felt that service of human needs had been too long postponed.

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[1] The phrase is from William Graham Sumner, a distinguished teacher of the social sciences, and was suggested to Roosevelt by Moley.

Chapter 34

New Deal in Banking, Currency, and Industry

WE COME NOW to the corrective measures undertaken by President Franklin Roosevelt's administration, beginning in March, 1933, and known by the collective term of "New Deal." In this chapter we shall treat the expedients devised to meet the emergency in banking, the currency, and industry, and in the following chapter shall describe the policies adopted respecting agriculture, labor, and social insurance, including an account of the defense program before this country entered the Second World War.

A bank "holiday" as a means of preventing unwarranted bank runs had been declared by the governor of Nevada as early as October, 1932. Before persistent hoarding had progressed to rapid and widespread withdrawals from banks, there had been singularly little public alarm if one considers the facts of bank failures in the decade. From 1921 to 1929, inclusive, there were 5642 bank failures, six sevenths of them state banks not members of the Federal Reserve System. In the first year of the depression, 1930, there were 1345, the next year, 2298, and in 1932, despite help from the Reconstruction Finance Corporation, there were still 1456. In January, 1933, there were 237 more, making a total of 11,000 failures in a dozen years. The general optimism of the prosperous years shut eyes to what was happening. New Orleans banks were given a short holiday in February, 1933, but soon, on the fourteenth of that month, Michigan's governor closed the banks of that state. The country was alarmed, but reflected that the situation of Detroit was peculiar because of stagnation after the great automobile boom. But on February 23, Indiana banks were shut, and on the twenty-fourth, following runs on Baltimore banks, several of which had been narrowly saved before, the governor proclaimed a holiday for Maryland. Other states

followed fast in the next few days, so that by March 1 thirty states had complete or partial bank restriction.

Hoover, with his Treasury and Federal Reserve officials in almost unceasing anxious consultation over what could be done, made several appeals to President-elect Roosevelt to stop the epidemic by approving a national proclamation of emergency powers coupled with prohibition on gold withdrawals and export, or a national bank holiday. The last of these pleas was made on the very eve of the inauguration. But Roosevelt and his advisers agreed that he should have no hand in the situation until he had power to act.

When Roosevelt was inaugurated on Saturday, March 4, 1933, the plight of the country was a more alarming one than had greeted any new president, unless it were Lincoln. Virtually all the banks were shut by governors' proclamations.[1] The economic heart of America threatened to stop beating. Only a tense pause to see what Roosevelt would do prevented complete and futile panic.

Roosevelt was a more spirited, heart-warming man than Hoover. Hoover had seemed distant and impersonal, while Roosevelt, on the radio, in pictures, and in the written word, conveyed his cordial interest in people. With fuller understanding of the calamities of the depression, Roosevelt realized that the people would support him in experimental use of government power to rescue them. No theory was as sacred as human rights and safety. Average men and women felt that in Roosevelt they had a fervent and trustworthy friend. Much of the lift which the New Deal imparted to the economy was through the plucking-up of public courage.

Roosevelt's inaugural speech and the tones in which he uttered it carried confidence because he had formed a plan of instant and vigorous action in the bank crisis. "This great nation will endure as it has endured, will revive and will prosper. . . . the only thing we have to fear is fear itself — nameless, unreasoning, unjustified terror which paralyzes . . . efforts to convert retreat into advance." He would not hesitate to ask for "broad executive power to wage a war against the emergency, as great as the power that would be given to me if we were . . . invaded by a foreign foe." All could be accomplished under the Constitution. "The people of the United States have not failed. In their need they have registered a mandate that they want direct, vigorous

[1] The Treasury officials of the outgoing Hoover administration had spent their last hours in persuading the few governors who had not done so to close their banks. The governor of Illinois could not be reached, and the governor of New York, hoping that the banks of New York City could withstand the storm, held off a few hours.

action. They have asked for discipline and direction under leadership." Not only did the speech promise aggressive instead of the old defensive tactics but it gave America's millions someone to blame by pointing the accusing finger at "the money-changers" who "have fled from their high seats in the temple of our civilization."

The new President had determined to invoke the powers (doubtful though they were) of a First World War statute to stop the export of gold and to close the banks. He would immediately call Congress into special session. Bankers sped to Washington for confused counsels with the administration. Had the President authority to close the Federal Reserve Banks, which because of their national character had not been covered by the governors' action? Was a nation-wide issue of emergency currency, scrip, which had already been resorted to on a large scale in some places, necessary? Should all bank deposits be guaranteed by government as the quickest means of reviving confidence? Should all banks be taken over by the national government? All were under pressure of momentous action to be taken in the shortest time, like a diver who must hold his breath and grope on the bottom for a drowning man.

When the President's advisers could withdraw from the babel, it was concluded that the problem was primarily one of psychology, and only secondarily one of finance.[1] In his emergency action the President should stress "conventional banking methods and the avoidance of any unusual or highly controversial measures." Safety lay in opening as many banks as possible quickly, rather than in closer scrutiny of assets, which would cause dangerous delay.

"Roosevelt Revolution" a Misnomer

Talent was indiscriminately pooled for crisis decision without regard to political party or official responsibility. The continuous conferences were made up of Hoover Republicans out of office, of New Deal Democrats barely in office, and of all manner of bankers. The economic collapse obliterated all but the common calamity. Moley says truly, "We were just a bunch of men trying to save the banking system."

In resolving to reinvoke "conventional banking methods" and to avoid "controversial measures" — that is, after rescuing the closed banks to hand them back to private owners and managers who had been unable to keep them open — a critical decision was taken. Here at the

[1] Raymond Moley, *After Seven Years*, pp. 150–51.

very start the New Deal determined the direction for its future course. If the banks had been made national property, with suitable compensation to stockholders (a step widely discussed at the time), a stride would have been taken toward supplanting the capitalist economy by a co-operative one. With the instruments of credit, which are like the control switchboard in a power house, in public hands, every part of production and exchange could have been brought into conformity with a planned society. If these were to be turned back to private enterprise, public discipline would be confined to further regulation and reform, and the motives and mechanisms of individual profit would be essentially preserved. What some have called, in admiration or asperity, the "Roosevelt Revolution" never was that in intention or performance. The New Deal in the main was designed to rehabilitate American capitalism, with changes considered necessary for continuance of the system. Repeated assurances by President Roosevelt and his closest associates were not necessary to make this evident. A small number in the country felt that when the economy had so far broken down that all the banks were shut and a fourth of the workers were without jobs, the desirable course was planned production, democratically controlled, for use instead of for profit. They believed that in the then crisis, captains of finance and industry and their political spokesmen being so far discredited, the majority in America would have gone along with the President in announcing and entering upon such a program. A far larger number of the articulate wanted government treatment and convalescent care to set the capitalist patient on his feet again. This choice prevailed in the hectic opening days of March, 1933, and continued to prevail.[1]

The "Brain Trust" expanded from a nucleus of Columbia University professors and others whom Roosevelt drew around him at the outset of his campaign for the nomination. The members consulted with him about policies to be announced, they organized material, they wrote

[1] Raymond Moley, who was Roosevelt's closest adviser at the time, says on this point: "It cannot be emphasized too strongly that the policies which vanquished the bank crisis were thoroughly conservative policies. . . . Those who conceived and executed them were intent upon rallying the confidence, first, of the conservative business and banking leaders of the country and, then, through them, of the public generally. Had Roosevelt turned, in those fateful days, to the type of adviser that ultimately came into prominence in his administration, it is more than likely that questions of reform would have taken precedence over considerations of safety, with a resultant confusion and delay that would have wreaked incalculable damage upon our whole economic order. If ever there was a moment when things hung in the balance, it was on March 5, 1933 — when unorthodoxy would have drained the last remaining strength of the capitalistic system. Capitalism was saved in eight days. . . ."

drafts of speeches. Roosevelt had used university specialists while governor of New York, so this was no new resource with him. But with his inauguration as President, academic advisers enjoyed a prominence in national counsels never before known. At this critical period in the country's history business men as a group, Roosevelt discovered, had few constructive plans to offer, and politicians were similarly lacking. So trained students of government, economics, and law, who before had moved outside the public orbit, now found themselves satellites of the sun. Business and political critics thought them dangerously academic, while some of their own intellectual circle found them disappointingly opportunist. There was variety within the group, and its personnel frequently shifted, but as a whole the "Brain-Trusters" were progressives who saw that the American economy was in transition and wanted to adapt institutions to evident trends and needs. They helped to induct us farther into government intervention in economic life, they intended a society more largely planned in the interest of the mass of the people than had obtained in the past.

Reopening Banks in Emergency

On Monday morning, March 6, the President by proclamation closed the Federal Reserve Banks and all the national banks until March 9. Except as to Reserve Banks this was simply recognition of what had already happened. The proclamation practically took the country off the gold standard by forbidding the export of gold and even the paying-out of gold. Three days later, Congress passed and the President instantly signed the Emergency Banking Act, which provided a program for reopening the banks. In every part of its operation state authorities assisted the federal. The object was to reopen the soundest banks quickly, by making these strong enough to withstand any pressure from depositors, and so turn fear into confidence. Therefore, banks were to be classified for order of reopening, and those in need were to be supplied with capital and currency. Capital came mostly from the Reconstruction Finance Corporation, which bought preferred stock of the banks, created for the purpose. Also Federal Reserve Banks could lend to non-member state banks. It had been decided by the Secretary of the Treasury that scrip (clearing-house certificates) would not be necessary. What took its place was an emergency currency, called by the old name of Federal Reserve Bank notes, which needed no gold backing, and were issued not solely on the basis of government bonds,

but on almost any sort of notes or commercial paper. The Reserve Banks could discount paper not ordinarily eligible, and could discount not simply for banks, but for individual business enterprises.

The holiday having been extended to March 13 (it had first been made shorter than was known to be necessary, in order to allay panic), the sound banks in the first class, numbering half the total, were permitted to reopen for full banking business except for paying out gold. The Bank of America, a California institution with more than four hundred branches, and some others were put in this class only after other considerations than technical soundness had thrown their weight into the scale. In the second group, a fourth of the total number, were banks with strength impaired, which were allowed to reopen on a restricted basis, paying out a proportion of their deposits. The third group comprised banks in serious trouble which were to remain closed except for the acceptance of new deposits which were to be kept in cash or government bonds and segregated from the old while "conservators" took charge of the questionable assets for the purpose of reorganization. The fourth group (a thousand banks, 5 per cent of the total) was made up of the residuum which had to be closed permanently. Moreover, this Emergency Banking Act approved what the President had done by proclamation and extended his powers to permit the requirement that all gold and gold certificates be turned in to the government. This action was taken April 5, the banks of the Federal Reserve System being made the agents.

Roosevelt, the night before the first banks were to be reopened, in a "fireside" radio broadcast, explained to the people of the country what the government was doing to make their deposits safe and asked them to respond by restoring hoardings to the banks. The banks reopened gradually, with more money being deposited than withdrawn, and the acute phase of the crisis was passed. Within two days banks with 90 per cent of all banking resources were open without restriction, and by the end of March well over $1,000,000,000 had flowed back to banks. Even at the end of May, however, there were still 1163 banks, members of the Federal Reserve System, without licenses for unrestricted business, and some $4,000,000,000 of deposits were still tied up.

The day after the Emergency Banking Act was passed, the President, to reinforce public confidence in the administration, called on Congress to make drastic economies in federal expenditure by empowering him to cut more than $100,000,000 from salaries, civil and military, and more than $400,000,000 from pensions. The message pointed out that

"For three long years the Federal Government has been on the road toward bankruptcy," the accumulated deficit, incurred and prospective, being $5,000,000,000. This deficit was blamed for contributing to the banking collapse and business stagnation. On the unimpaired credit of the government rested private economic safety and progress. "It . . . becomes our first concern to make secure the foundation," said the President. "National recovery depends upon it." Asking that the legislation, called "A Bill to Maintain the Credit of the United States Government," go into effect at once, he ended with: "I give you assurance that if this is done there is reasonable prospect that within a year the income of the Government will be sufficient to cover the expenditures of the Government." This law was notable as evidence of the thrifty, even deflationary, policy which the President had preached during his campaign, and which he was soon to abandon with such eagerness and determination. At this time, March 10, 1933, national recovery was thought to depend upon saving. Soon it was to depend on spending. Roosevelt blamed the preceding administration for a deficit of $5,000,000,000. Before long he was to pile up a deficit ten times that. Though the New Deal has been admired for the swiftness with which it mobilized attack on depression, the magnitude of the battle was at first unforeseen.

Embarking on a Managed Currency

The new turn came quickly in a series of measures taking the United States formally off the gold standard, committing the administration to a managed currency, and opening the way to inflation. The executive order of April 5 obliging all to surrender gold and gold certificates to national banks has been mentioned. There was a majority for inflation in the House, and though the Senate defeated a proposal of Senator Wheeler of Montana for free coinage of silver at sixteen to one, it developed during April that the upper chamber too favored inflation. Roosevelt yielded, perhaps not reluctantly, to this congressional demand. On April 20 by executive order he extended indefinitely the embargo on gold exports and placed foreign exchange under control of the Secretary of the Treasury. This date is usually taken as marking the departure of the United States from the gold standard. It ended a short suspension of the embargo, during which we lost $100,000,000 in gold export, but more importantly "gold here in the United States ceased to be a medium of exchange," [1] and it could not be had for

[1] President Franklin D. Roosevelt, *On Our Way*, p. 61.

export, which are the touchstones of a gold-standard currency. The argument that we had not left the gold standard "because the legal gold content of the dollar was unchanged and because the Government and the banks retained all gold as the basis for currency" was irrelevant. At any rate, it stopped the "flight from the dollar," caused partly by foreign and domestic speculation, which the administration thought might become serious. The dollar fell in value as compared with foreign currencies, and as a corollary the domestic price level went up. This last was the New Deal's real objective, as soon became clear. The President said later:

> We had determined definitely to seek an increase in all values. [Since debts exceeded assets], Two courses were open: to cut down the debts through bankruptcies and foreclosures to such a point that they would be below property values; or else, to increase property values until they were greater than the debts. Obviously, the latter course was the only legitimate method of putting the country back on its feet without destroying human values.

The President forecast devaluation of the dollar and abrogation of the gold clause in private contracts in his second fireside chat, May 7, 1933. After reviewing progress in other fields, he explained that nobody was going to get gold for currency or for public or private securities because all the gold in the country, even in the world, was only a fraction of what would be necessary to satisfy a simultaneous demand. Only a few could have gold, in case of panic, in return for the promises which they held. So "We have placed everyone on the same basis in order that the general good may be preserved." The sequel was a managed currency, plans for which the President immediately disclosed. "The Administration has the definite objective of raising commodity prices to such an extent that those who have borrowed money will, on the average, be able to repay that money in the same kind of dollar which they borrowed." Debtors would be given justice, not an unfair advantage. Domestic reasons for managing the currency (or raising prices) came first, but this power would assist us to agree with foreign countries on stabilization of currencies in the trading world. The belief in managing the currency to raise prices was applied six months later in the gold-purchase program urged by Professors Warren and Pearson, of which we shall speak in its place.

Inflationary Powers Given the President

When the President spoke of raising prices by inflation, he had already accepted the terms of the Thomas amendment to the Agricultural Adjustment Act, which was passed May 12, 1933. This was an omnibus measure satisfying all the demands for inflation. It was joined to the farm relief bill because that had as its purpose the lifting of agricultural prices. Heavily indebted farmers were preventing mortgage foreclosures, defying the courts, organizing farm holidays in which they would not let produce move to market. The Thomas amendment gave the President power to inflate the currency in any or all of five ways: (1) to reduce the gold content of the dollar up to fifty per cent; (2) to issue greenbacks up to $3,000,000,000; (3) to have the Federal Reserve purchase government bonds up to $3,000,000,000; (4) for one year to take silver in payment of war debts at not more than fifty cents an ounce, up to $200,000,000, and to issue certificates for the silver so obtained; (5) to coin silver without limit at any ratio to gold he might fix.

Though certain powers intended to prevent excesses were given to the Federal Reserve, here was everything any inflationist had ever asked for. Some of these powers the President never used, but the fact that he had them, coupled with other parts of his program which promised an increase in prices, was enough to persuade many to exchange their money for stocks and raw materials, agricultural staples, and manufactures of all sorts, including consumers' goods. Prices rose steeply, and numbers of those who had opposed inflation now found the depreciating dollar agreeable in its effects. The farm states began to turn from strikes to jubilation, and planted larger crops which were to increase the vexations of agricultural adjustment. Europe was disturbed, for a sinking dollar was going to give American exporters an advantage in world markets. This was because we could afford to sell for lower prices, since exporters would be paid in foreign currencies which would now have a higher value as compared to our money. Superficial improvement was too rapid. Not only was it unsound, but the President began to fear that Congress would consider the work of recovery had been done, and refuse to follow his further recommendations.

Soon the President, carrying out his announced intention of having the gold clauses in some $30,000,000,000 of public contracts and $60,000,000,000 to $70,000,000,000 of private contracts abrogated, asked Congress for a joint resolution accomplishing this. It was signed by Roosevelt June 5, 1933. It decreed that all obligations, though stipulated to

be paid in gold of existing weight and fineness, should be payable in lawful money, all coin and currency being made legal tender for debts public and private. The minority in Congress declared this voiding of gold clauses and government promises was the grossest dishonesty, the breaking of the most solemn faith, and disruptive alike of the morals of government and the welfare of business. But the majority held that in the current emergency "These gold clauses render ineffective the power of the Government to create a currency and determine the value thereof." Only Congress had the power to regulate the value of money. It was "the declared policy of Congress to maintain at all times the equal power of every dollar, coined or issued by the United States, in the markets and in the payment of debts." There was reference to hoarding and the flight of gold from the country, but the fact was that inflation through a managed currency equal in buying and debt-paying power would not work if an old and higher standard of monetary value were allowed to persist. Said Senator Borah: "There is no limitation upon the power of Congress. The government cannot contract away its sovereignty. . . . All contracts are subject to the power of Congress to regulate money." Later the Supreme Court, which was unwilling to uphold other major measures of the New Deal, validated this voiding of gold contracts.

World Economic Conference Abandoned

The apparent success of the New Deal domestic program in starting recovery now crowded out its earlier foreign policy and wrecked the World Monetary and Economic Conference which met at London June 12, 1933. The banking crisis had been overcome, agricultural and industrial rehabilitation was embodied in definite plans, and inflation was provided for. In his meetings with representatives of leading powers, in Washington, before the American delegation to the conference sailed, President Roosevelt, while stressing the importance of raising world prices, had assured the foreign statesmen that he was in favor too of currency stabilization. When the conference assembled, it was clear that there were two cleavages which promised an unprosperous career. One was within the conference as a whole, the other within the American delegation. The first was between the countries still on gold, on the one hand, and the United States on the other. The gold bloc was led by France, which wanted others to return to gold, and as preparation for this desired stabilization of currencies, with no such depreciation as the United States was already embarked upon. On the

whole, England went along with France. The cleavage within the American group was between the internationalists, Secretary of State Hull and others, who said little about currency one way or the other, but were insistent on general tariff reduction and removal of obstacles to international trade, and, opposed to them, the nationalists. These adhered to Roosevelt's policy of putting domestic prosperity first, not only for the United States, but for all countries as a necessary preliminary of world economic advance.

At the most critical stage of the conference, President Roosevelt, having dispatched a motley assortment of representatives to London, was on a vacation, fog-bound off the coast of Maine. The American delegation in London and indeed the whole conference was in a fog too. A desperate effort was made by American and English monetary experts to work out a plan which would reconcile after some fashion American nationalist inflation and world currency stabilization. The proposed plan was cabled to Roosevelt for his approval. The President sent back a reply which meant the end of the conference. It would be a world tragedy, he said, if the conference allowed itself to be diverted from its great object of "permanent financial stability and a greater prosperity to the masses of all nations," by absorbing itself in a relatively insignificant and dubious adjustment of foreign exchange rates. "The world will not long be lulled by the specious fallacy of achieving a temporary and probably an artificial stability in foreign exchange on the part of a few countries only." He concluded: "The sound internal economic system of a nation is a greater factor in its well-being than the price of its currency in changing terms of the currencies of other nations." The United States was choosing a dollar of constant purchasing and debt-paying power, a "commodity dollar." This was replacing "old fetishes of so-called international bankers."

This declaration that America was going its own way — albeit a way which Roosevelt said would be a good way for other nations too — virtually closed the conference, though Secretary of State Hull and the rest remained in London for a while. Nearly the only concrete result of the conference was a commitment "to do something for silver" on the part of countries using or producing that metal.

Devaluation of the Dollar

The next pronouncement on developing policies of money and prices came in President Roosevelt's radio address of October 22, 1933. The

object all along had been to raise prices, the level of 1926 being set as a goal. Since May, only one of the inflationary powers given the President had been used. This was the purchase of government securities by Federal Reserve Banks, putting $600,000,000 in circulation. But the first rapid rise in prices, after inflationary powers were conferred and the Agricultural Adjustment and National Recovery Administrations had been set up, had not been sustained. The commodity price index had gone up from 59 in March to 65 in June, to 71 in October, which last was 29 points below the 1926 level. Collapse of speculation in farm products had brought the index of agricultural prices down from 60 in July to 56 in October. So the President announced the government's intention to take gold into its own hands in order to be able to control its value in accordance with the settled policy of managing the currency. It was the purpose to raise prices, to wipe out unemployment, and "to make possible the payment of public and private debts more nearly at the price level at which they were incurred." The dollar would not be revalued (devalued) until the price level had been restored. Then "we shall seek to establish and maintain a dollar which will not change its purchasing and debt-paying power during the succeeding generation."

Though the President did not say so, it was understood that Professor Warren of Cornell University had persuaded him that the lifting of prices could be accelerated by lowering the value of the paper dollar with respect to gold. Gold would still be considered the old reliable value, so if the dollar was buying less gold, was cheapened, people would demand more dollars for what they had to sell. The fall of the dollar on foreign exchanges would tend in the same direction, increasing prices of imports and exports. "I am going to establish a Government market for gold," said President Roosevelt. Three days later, October 25, the Reconstruction Finance Corporation offered $31.36 a fine ounce, 27 cents above the world market price, and we kept pushing up the price given in paper dollars until, in mid-January, 1934, it was $34.45. Dr. O. M. W. Sprague, adviser to the Treasury, resigned in protest against this policy of depreciating the dollar, predicting misfortunes to come in its wake.

Prices did not rise as had been hoped, or as the President had said they must before the dollar was formally devalued. The index of wholesale prices moved up a very little, from 71 in October to 72 in January. Perhaps the device relied upon was too indirect in any case. The additional huge supplies of gold pouring into the country were not

needed as backing for Federal Reserve currency or credit, which were already in excess of demand. Perhaps business was so weak that it was incapable of responding to the stimulant.

Whatever was true, the government's project was now rounded out by the Gold Reserve Act of January 30, 1934, under which: (1) some $3,500,000,000 of gold belonging to the Federal Reserve Banks, the last in the country not already owned by the government, was taken over, gold certificates being given in return; (2) the gold value of the dollar was fixed, by proclamation, at 59.06 cents; the new dollar was to be backed (conjecturally) by 15 5/21 grains of gold, nine-tenths fine, instead of the former 25.8 grains, or the government would now give $35 an ounce for gold instead of $20.67; (3) $2,000,000,000 of the $2,800,000,000 "profit" to the government from devaluation was available for stabilizing the dollar in foreign exchange. Gold flowed into the Treasury from American mines and from abroad until in July, 1940, we had over $20,000,000,000 of it, 80 per cent of the monetary gold of the whole world, not to speak of nearly $2,000,000,000 on foreign deposit here. What to do with this treasure? By our near-monopoly, it had virtually ceased to be treasure. We did not require it except as the vaguest backing for our currency, now legally fiat money. This great heap of gold, having been dug through centuries from the bowels of the earth, we buried again, in a steel and concrete pit made for it beneath Fort Knox, Kentucky. Our accumulation means that other countries, now all of them off gold, hardly can or will go back on a gold standard. Probably we shall not parcel it out to them as a gift, and American producers would not welcome the imports that would flow in from buying foreign goods with it. Other countries are perforce learning, as we are learning, to marshal their resources and exchange their goods, internally and externally, through paper money and other extensions of government economic control.

We Would "Do Something for Silver"

We helped to disrupt the economies of other countries by our silver-purchase program. The Thomas amendment had authorized the President to inflate by experimenting, if he chose, with bimetallism, making silver a money metal at any ratio to gold he cared to set. The Senators from the silver-mining states, backed by indebted farmers wanting any sort of cheap money, pressed constantly for use of the power. Senator Pittman of Nevada at the London Economic Conference secured a silver

agreement for raising the then low value of that metal. Countries with silver money were to limit sales of the metal, and silver-producing countries, like the United States, were to buy large amounts every year for four years. In December, by presidential proclamation, the mints were prepared to buy silver newly mined in this country at the old statutory price of $1.29 an ounce. The prevailing market price was 41 cents, an increase from 25 cents a few months before. However, half the metal bought was taken as seigniorage for coinage of the silver dollars with which the owner was paid, so he got net 64½ cents an ounce, which was still 50 per cent above the market. The London silver agreement was ratified. In June, 1934, the Silver Purchase Act required the Treasury to buy silver at home and abroad until we had one silver dollar for every three of gold or until the world price reached $1.29 an ounce. For domestic silver, not newly mined, not over 50 cents an ounce was to be paid. This provision was to make sure that a large public gift went to the silver-producing states, though, as before, half the domestic silver bullion was to be taken as tax. Silver certificates up to the amount of all silver bought were to be placed in circulation, and were to be legal tender. In August, silver was nationalized, all silver having to be surrendered to the Treasury as gold had been. American purchases led the London silver market upward. Speculators, countries with large stocks like Spain and Mexico, dumped their silver on us. When the price reached 81 cents, we withdrew from the market temporarily, the price collapsed, and when we resumed buying we held the price at 65⅜ cents. The results of this adventure were disappointing except to those with silver to sell. We pushed up the value of silver so much that China, Mexico, and other silver countries, to prevent fall in their commodity prices, adopted defensive measures. China was later forced off silver and resorted to a paper basis, while Mexico withdrew silver from circulation. The world price did not reach $1.29, and we went on buying in accordance with the ambition of making our money stock one fourth silver. After five and a half years of this, and after buying over 2,200,000,000 ounces, we were almost 300,000,000 ounces farther from accomplishment of our object than when we set out, so much had our gold stock increased. The episode dwarfed the restrained silver-purchase schemes of 1878 and 1890.

Bank Reform Measures of 1933 and 1935

We have referred to the Emergency Banking Act of March 9, 1933, hastily passed to permit opening of the banks. The more deliberate

Banking Act of 1933 (June 16), while itself a stop-gap measure, was the product of full inquiry into evils of banking which the depression had made evident. In answer to the cry of the moment, it set up the Federal Deposit Insurance Corporation, with capital subscribed by banks and the United States Treasury to insure in full deposits up to $10,000 and larger deposits in lessening proportions. The maximum insurance was later changed to $5000. All member banks in the Federal Reserve System were obliged to join the fund, and state banks might do so. The Corporation takes over a failed bank and liquidates it, at the same time establishing a new bank which, if its growing assets warrant, is made permanent or may be absorbed by another bank. The Corporation may borrow on its own tax-exempt securities up to three times its capital.

By the terms of the act, the Federal Reserve Board may refuse accommodation to a bank found to be using facilities of the Reserve System for speculative purposes, or may suspend a persistently offending bank. Member banks may not lend on the stock market "for others," meaning business corporations or individuals wanting to employ idle funds in that way. To stop another hole through which bank credit had leaked to the market, officers must not borrow from their own banks or from other banks without reporting the fact.

Under penalty of getting out of the Federal Reserve System, no member bank after a year was to have an "investment affiliate," since it had been shown that association of banks with promotional companies endangered or destroyed the safety of deposits.

Bank holding companies, which had been built up during the craze for holding companies in other fields, and which had fostered deception in some cases, were regulated; all units in a bank holding-company group must submit to examination on the same day.

Branch banking on the part of national banks was considered a development making for security, and was permitted within the state if branches of state banks were legal there.

The Federal Reserve Board was given more control over, or at least full knowledge of, negotiations of individual Reserve Banks with foreign banks. A representative committee on open-market operations was formally recognized. This preceded a later important development giving the Board more power over credit. Morris Plan and savings banks might join the system.

Two years later a more thorough and comprehensive law was passed which went some distance not simply in reforming the Reserve System,

as had been done in the 1933 law just described, but in giving government, through the Board, more control over credit and prices. The Banking Act of 1935 partially socialized what had previously been at bottom a private banking organization. The Board was given undisputed power over rediscount rates, open-market operations, and reserve requirements. All Reserve Banks must have their rediscount rates approved by the Board; the Board has majority membership in the Federal Open-Market Committee, and all Reserve Banks are compelled to participate in ordered purchase or sale of securities. "In order to prevent injurious credit expansion" the Board may double reserves which member banks must keep against their deposits. The Board was given additional control over credit by authority to approve loans to member banks on paper not previously eligible. Owing to several causes, short-term commercial paper, such as had been originally envisioned as that mainly to be borrowed on by member banks, shrank and long-term obligations grew in proportion in bank holdings. It was these last on which the banks could now borrow, with restrictions, in order to keep the Reserve System fully functioning. The authority of member banks to lend on real estate was broadened.

While government was thus given more power in the Federal Reserve System, the administration at any one time was shorn of influence, for the Secretary of the Treasury and Comptroller of the Currency were no longer to be *ex-officio* members of the Board, its chairman and vice-chairman could not be removed at will, and members (with long terms, overlapping) were made ineligible for reappointment.

This Act of 1935 sought to settle the bank disorders which had figured so prominently in the depression as cause and consequence. The wisdom of the banking system thus reformed must hang upon the answer to the question, Will it accomplish all of which banks are capable in avoiding another depression?

Some Reform of Investment and Speculation

The later twenties will be remembered for the inflated stock and investment markets, in which the infatuation of buyers was equal to the malpractices of issuing corporations, underwriters, and brokers. "Finance capitalism" left behind the dull business of producing values in goods and services, and was occupied with paper profits and manipulation for control rather than with creation. Every sort of abuse for gulling the public was practiced. Only the giddiness of inexperienced

purchasers and the fancied cleverness of those more knowing permitted the veil of plausibility to hide gross deception. South American government bonds, the proceeds of which were to go into the pockets of politicians, were recklessly offered and eagerly taken. Utility holding-company securities were bought without means of knowing what the underlying operating properties (power plants, and so on) were like or how they were to pay dividends on pyramided and watered stock. Insiders, including officers drawing fabulous salaries, milked corporations so the investing public got only strippings, and had the effrontery, when the enterprise had been thus destroyed, to make new gains from the wreck by serving as receivers. Investment trusts, already referred to, made a magic appeal, attracting buyers of their shares, though there was the vaguest idea of what these represented. All was made possible by abundant credit to stock and bond brokers, furnished through banks from corporate surpluses. The mysteries of corporate financing were partly self-deception by promoters and participants and partly plain fraud.

The crash and subsequent exposures left victims in the mood to correct and punish when the New Deal raised the standard of reform. The Securities Act (May, 1933) was the first manifestation. It aimed at honesty and openness in the marketing of new corporate securities by requiring registry with a public regulating body, soon designated as the Securities and Exchange Commission. Sworn statements must lay bare all pertinent facts to permit an investor to judge of what he was buying, there must be a waiting period for investigation, and a buyer could sue for damages if there were misrepresentation. Financial interests fought the law before and after passage with the claim that it was so exacting as to make corporations and their investment bankers afraid to seek new capital. The act was later made somewhat more lenient.

A companion piece was the Securities Exchange Act of June, 1934, for licensing and regulation of stock exchanges and supervision of securities there dealt in. Marginal loans and other credit extended on securities was to be restricted, the Commission was to make rules for eliminating certain condemned practices of stock-exchange members, brokers, and dealers, while the financial structure of corporations whose securities were listed on stock exchanges was to be declared. Neither of these two acts undertook to guarantee safety of an investment, but rather the honesty of representations concerning it.

The tier on tier of public utility holding companies, which became the means of exploiting consumers of electric current and investors,

without accomplishing any useful economic purpose, were ruled out by the Public Utility Holding Company Act of 1935. The outcry against this "death sentence" of superfluous holding companies pictured them as serviceable, but few listened. The law also required that the Securities and Exchange Commission be given full information of utility company assets and operations. Through revision of the bankruptcy law, the Commission is empowered to protect the public in reorganizations in the federal courts.

This group of laws for policing investment and speculation reminds us of the earlier attempts to prevent industrial combinations in restraint of trade. Only time will tell whether the bit that has been put in the mouth of a willful horse will check and control him, or whether he will find how to take it in his teeth and run away again.

Experiment in Industrial Self-Government

The National Industrial Recovery Act, signed June 16, 1933, and declared unconstitutional by the Supreme Court May 27, 1935, was intended to assist recovery over a wider area than any other single piece of New Deal legislation. Its main purposes were to revive industry and commerce, which were functioning at half capacity, and to reduce unemployment. The section of the act providing for federal financing of public works to the extent of $3,300,000,000 was closely related to these objects, but is not considered here. Since the law encouraged, indeed compelled, a large degree of collective self government on the part of business, it virtually adjourned operation of the anti-trust acts.

The NRA was an emergency measure, but its establishment was supported by background development and by several specific prior proposals. Legislation, courts, and administrative agencies had for some years shown an increasing tolerance for collective action on the part of business men. The Supreme Court distinction between "bad" and "good" trusts, and the announcement that mere bigness was not illegal, were in this direction. The Interstate Commerce and Federal Trade Commissions had likewise gradually shifted from condemning collusion to policing competition. The first World War had given powerful impetus to government dealings with business men's organizations, "trade associations" having grown in number to more than a thousand in 1920, and the Department of Commerce had continued to lean on them in its program of standardization of products, and the like. More immediately, there had been several proposals for relaxing the

anti-trust acts to permit elimination of "unfair trade practices" by business men, of which the "Swope Plan" and that of the United States Chamber of Commerce were the most prominent. Schemes for spreading the available work, as in the Black-Connery thirty-hour bill, figured. Senator Robert La Follette had sponsored a bill for a national economic council looking toward long-range planning.

The NRA was a bargain between government and business which brought these tendencies to a head. Business men were empowered openly and actively to combine to discipline those of their number who made competition destructive. In return for the favor of government in thus suspending the anti-trust acts, organized enterprisers engaged to assist in absorption of some thirteen million unemployed by shortening hours while wages were maintained or, hopefully, even raised. Collective bargaining with the workers' own unions was made compulsory upon employers. The re-employment and increased purchasing power resulting would help both industry and agriculture.

In signing the act, the President said: "Its goal is the assurance of a reasonable profit to industry and living wages to labor, with the elimination of the piratical methods and practices which have not only harassed honest business but also contributed to the ills of labor." That NRA was intended as more than an emergency rescue and embodied motives of reform was shown in his statement, extravagant as was soon proved, that "It represents a supreme effort to stabilize for all time the many factors which make for the prosperity of the nation and the preservation of American standards."

The method was to frame and give the sanction of law to "codes of fair competition." These were little constitutions for self government drawn up in each industry, typically by one or more trade associations. Each code, before being approved by the President, must pass through a public hearing. It must incorporate compliance with the labor provisions (*bona-fide* collective bargaining, maximum hours, and minimum wages), but must not — a saving clause — authorize monopolistic practices. Thus established, the codes would launch a partnership, the President said, between government, industry, and labor. As a matter of fact, the codes were framed almost entirely by the interested business groups. Directly, labor participated in the making of few codes, only in industries where it was best organized, and consumers participated in fewer still. However, representatives of a Labor Advisory Board and a Consumers' Advisory Board exerted such influence as they could in code formation.

Final approval of codes necessarily went slowly at first. Though more than a hundred codes were submitted in the first month, two thirds of these from industries national in scope, the pioneer Cotton Textile code was not completed for three weeks, and when the law was two months old only eight codes had been approved. Something had to be done to speed the process, particularly because, in anticipation of the effect of the codes, prices were rising while wages and employment continued to sag. So at the end of July, 1933, the President's Re-employment Agreement was announced. With its "blanket code" this was a dragnet to draw the bulk of employers to adopt prescribed labor standards and to hasten organization of business men to form codes. With the aid of publicity given to a compliance emblem, the "Blue Eagle," within a few months 2,300,000 employers, with 16,000,000 workers, agreed to employ no one under sixteen years of age, to pay clerical and service workers minimum wages ranging from $15 a week in cities to $12 in small towns for a maximum work week of forty hours, and factory workers a minimum of 40 cents per hour for a maximum work week of 35 hours. This agreement was not enforceable at law, as were the individual codes, but relied on popular boycott, with government approval, of employers not displaying the Blue Eagle. The President's Re-employment Agreement brought a deluge of demands for codes, for employers naturally were now impatient for code benefits, in higher prices and profits, to offset the increased labor costs to which they had consented. More than five hundred proposed national codes were submitted in August, 1933, and a diminishing number into 1934. NRA approved altogether 557 basic codes, 189 supplementary ones, and the labor provisions of a small number of joint industrial and agricultural codes. This suddenly augmented work required expansion of NRA personnel from 400 to 4500, and its expenses reached more than a million a month.

Workers Under NRA

Since NRA embraced half the number of workers employed before the depression and supervised intimately a larger proportion of the country's wealth-producing activities, the history of the experiment is of importance for the future, when like occasion may arise. For this reason, when NRA came to an end, the government went to pains and expense to summarize, from the prodigious files, what was done under each code, to make studies of all aspects of the experience, and, in

completion, to set forth findings. A main conclusion of the official survey, in the light of which the results must be judged, was that NRA, an emergency organization, attempted to do too much too fast. Such an undertaking should have begun earlier, reached deeper, and grown gradually. It was concluded:

> Permanent policy with respect to depression implies policies of prevention adopted during good times, and this implies policies directed to fundamental causes, so far as they can be determined, rather than attempts to deal directly with results or symptoms. The NRA experience appears to indicate that mere control of wages, prices, and trade practices is capable of playing a relatively minor part in such a fundamental program. Such a program needs to be comprehensive, and is more appropriate to a general governmental planning agency than to an organization limited to the field occupied by NRA.[1]

The Tennessee Valley Authority, as we shall see, has come much nearer to long-range economic and social planning than the NRA, under the circumstances, was capable of. Perhaps the National Resources Board, which made inquiry into, but yet lacked any authority over, basic economic tendencies, might have developed into an agency, preventive and directive, for public economic health, but after a few years its work was discontinued. Emergency effort as it was, working under unexampled pressure with the most complicated and conflicting forces, and at a time of unprecedented business and public anxiety, NRA for its lifetime accomplished notable concrete results. It practically abolished child labor in industry and trade, after reliance on state legislation had proved futile, previous federal statutes abortive, and constitutional amendment exasperatingly slow. The famous Section 7(a) established in law, and it may be said in public acceptance, the right of workers to form independent unions and to bargain collectively. Every code incorporated the condition that employers would not interfere with self-organization of workers, or require of anyone seeking employment that he join a union under company domination or refrain from joining one of his own choosing.

Thanks largely to NRA, union membership took a spurt. The American Federation of Labor, mainly through new organizing effort in the mass-production industries, gained nearly a million dues-paying members, bringing its total membership, including large numbers not able to pay their dues, to some 4,000,000. Unions confined to employees of

[1] *The National Recovery Administration.* The President's Committee of Industrial Analysis, *Report*, p. 238.

particular companies sprang up still more rapidly, doubling their membership to between 2,500,000 and 3,000,000 by the end of 1934. Probably half of these formed during the NRA period were of the character which was prohibited, being under control of employers, but even they did something to accustom workers to acting together. It is true that NRA marked anything but a period of peace between capital and labor. When workers found that the union and wages and hours requirements of the codes were tardily and weakly enforced, they struck, in 1934 and 1935, in numbers rarely known before, in all sorts of occupations and all parts of the country. More than forty workers were killed, troops were called out in sixteen states. A "general" strike in San Francisco, in July, 1934, started with demands of longshoremen for union recognition, better wages and hours, and exclusive control of their hiring halls, but spread to other trades. Nine thousand police and militiamen were put on duty when 127,000 workers quit their jobs. Textile workers in all branches of the industry, North and South, struck in September of the same year. Workers complained that NRA permitted employers to reduce output while they reduced costs by saddling labor with the "stretch-out," or extra work for the same pay. Yielding to the President's plea for an end of the strike pending adjustment of issues, the textile workers got nothing. But the NRA encouragement to unionism, plus agricultural restriction, brought organization and strikes of farm workers in several states, notably California and Arkansas. NRA led indirectly to the formation of the Committee for Industrial Organization, to be traced in the following chapter. Lastly, as we shall see, NRA contributed to the work of the National Labor Relations Board and the Wages and Hours Administration, which followed it.

Probably NRA gave jobs to some two million of the unemployed through spreading work. The beneficial effect on wages was less. Average wages rose little, though the minimum wage provision helped workers in industries with low wage standards. The application of the minimum was reduced by the many exceptions allowed in the case of learners, the handicapped, and Negroes; and geographical differentials, especially the lower code wages permitted in the South, also operated in the same direction. There was complaint that requirement of a minimum wage prevented many less capable workers from keeping or getting jobs and tended to persuade employers to substitute machinery. Code wages in some cases, such as the southern lumber industry, were exceedingly low. Wages above the minimum were hard to maintain, and some better-paid workers suffered decreases in weekly earnings.

However, sweatshops were reduced or eliminated in industries where they had long been prevalent. It is doubtful whether NRA increased real wages. Despite efforts of the President, employers raised prices in advance of wages, and the influence of business men in NRA, in raising prices of their products by many means and in keeping wages down, was much more immediate than that of workers or their spokesmen.

In the field of "trade practices," some competitive methods of business men generally admitted to be unfair were reduced, waste was cut, and standardization was promoted. It is impossible to determine statistically whether, or how much, NRA contributed to the national recovery which was evident during that period. Its effect may have been psychological rather than narrowly economic. It helped to change "the prevailing mood of the country from apprehension to hopeful effort, and this was vastly important in itself."

Antagonism Between Recovery and Reform

The attempt of NRA to plan within the profit system met obstacles belonging to both means and ends. As to objective, NRA planned, immediately, for scarcity rather than plenty. Here the aim was recovery rather than reform. On the face of it, deliberate limitation of output is socially unjustifiable. In this case, the contention was that, once the industrial mechanism was restored, abundance would result. The devices used by NRA were several — limitations on hours within which machines or plants might be operated; restriction of total production for an industry and assignment of quotas to individual producers; holding down productive capacity by preventing new plants from being built, forbidding moving of machinery from less advantageous to more advantageous locations, prohibiting equipment which had lain idle a certain length of time from being operated again. Furthermore, while this policy tended to raise prices and permit less capable producers to compete, it conflicted with the recovery effort itself by diminishing demand for workers, equipment, and materials.

It was easier to set up the codes than to supervise their operation. First-hand administration was in each case by a "code authority," a committee variously chosen but apt to be dominated by the more powerful and better-organized producers. The National Recovery Administration itself had a representative on each code authority, but he was generally attached in this way to a number of codes and could not give full attention to any one. The result was that the poorly represented

and weaker firms in the industry, and labor and consumers, found their interests neglected from the beginning. Particularly in enforcement of rules covering some one hundred and fifty trade practices, many producers felt themselves discriminated against. Trade-practice requirements regulated, to take only a few, discount and credit terms, devices tending to maintain minimum prices, production control, imitation of designs, financing purchasers, rebates, premiums, seconds, return of goods, trade-in allowances, installment sales, sales to delinquent customers, demonstrations, and direct selling. Smaller firms, with less prestige, often felt that forbidden methods were necessary to them if they were to stay in business. When coerced, they appealed for exceptions and exemptions. Where these were granted in numbers (and they were), they broke down standards, and where they were not allowed, violations might be so widespread as to weaken or destroy the code.

Of more than 155,000 cases of alleged violation of NRA rules, only 564 reached the courts. It was the policy to keep the whole effort voluntary as far as possible, because this made for speed, saved expense, promised to be more effective, and removed the question of constitutional authority of NRA, which was always a moot one. Before NRA was declared unconstitutional, conflicts within the business community, between employers and workers, and between business men and the Recovery Administration, as well as the mounting problems of detailed regulation, had begun seriously to discredit the experiment. NRA was the longest step taken away from *laissez faire* in industry and commerce in time of peace, for it went from mere tempering of business methods to supervision and, potentially at least, to control. The emergency which induced this action is more important for future developments than the results of the attempt. NRA had a short span under most difficult conditions, but we must conclude that this effort at a partnership between government, private enterprise, and labor in economic planning proved, on the whole, unworkable.

Ever since the days of Chief Justice Marshall it has been an established principle of constitutional law that Congress may regulate interstate commerce where the interstate character is indicated by *motion* of goods or services across state lines. NRA, in vast fields, dealt with goods and services before or after this motion began, relying on the contention that such business *affected* interstate commerce. The preamble of the act declared that "widespread unemployment and disorganization of industry . . . burdens interstate and foreign commerce," and that it was "the policy of Congress to remove obstructions to the free flow of interstate

and foreign commerce which tend to diminish the amount thereof." The Schechter decision of the Supreme Court in 1935, in a case involving the live poultry business in New York City, invalidated the NRA as not being a regulation of interstate but of intrastate commerce, and the Guffey coal decision the next year, involving a plan similar to NRA, seemed to lock the legal door which had thus been closed. President Roosevelt's description of the majority of the Court, after NRA was held unconstitutional, as belonging to the "horse and-buggy" days, led on to his proposals for changing the composition of the highest bench. Ostensibly he would retire old men, but really retire what he considered superannuated opinions which thwarted the freedom of Congress to serve the needs of a modern economy.

References for further reading will be found at the end of Chapter 35.

Chapter 35

New Deal in Agriculture, Labor, and Social Security

A SEEMING CONSPIRACY OF FORCES, many of them operating for twenty years or longer, had got American agriculture in serious trouble by the time the New Deal took over. Price-depressing surpluses had lowered the farmer's purchasing power to less than two thirds of what it had been before the First World War; that is, the prices of basic farm products declined drastically, while the commodities, equipment, and services which farmers had to buy declined less; some payments, such as interest, had not gone down, and taxes had gone up. The bulk of farm mortgages had been made during the war or afterward when land values were phenomenally high. Farmers' inability to carry and discharge these put insurance companies and country banks, heavy mortgage investors, in a plight. Furthermore, when farm buying power dropped off, relatively as well as absolutely, a great demand for industrial products of the cities was lost, and unemployment was increased. Before the war the farm population, 30 per cent of the total, had received 15 per cent of the national income; by 1933 the farm people, reduced to 25 per cent of the total, got only 7 per cent of the national income.

In the background was a huge increase in agricultural productivity amounting nearly to one and a half times in two generations. After the war agriculture was able to increase production 25 per cent without an increase in acreage and with a decrease of farm workers. This had been due to science (soil chemistry, control of pests and plant diseases, breeding, and seed selection), technology (tractors, combines, irrigation), and superior transportation, which had brought distant farm areas near to markets. Tractors and other machines substituted for horses and mules had released thirty million acres, formerly devoted to feed, for cash crops. From several causes the American diet had changed so as

to demand less of cereals and fats, which were important agricultural staples.

The First World War fatally stimulated American agriculture, adding forty million acres to the cultivated area to feed our own enlarged number of urban dwellers and to help the Allies. The annual average value of agricultural exports doubled in the decade between the years just preceding and those immediately following the war.

The war prosperity of our farmers began to disappear by 1921. Going into the war a debtor nation and obliged to export more than we imported in order to pay foreign investors, we came out of the struggle a principal creditor nation, with two and a half times as much owing to us as we had previously owed to others. At that point we should have accepted the solution, long understood by Britain, of receiving a greater value of goods and services than we sent out. But an "unfavorable" balance of trade was hard to adjust to, psychologically and economically. Instead of lowering the tariff to enable Europe to sell here and so to buy here, we raised it in the Emergency Tariff of 1921, the Fordney-McCumber Tariff the next year, and, to cap our mistaken policy, the Hawley-Smoot Tariff of 1930. Europe could not buy with gold, for we had largely drained her of that. In addition, while the American farmer was bogging down in post-war depression at home, European agriculture was beginning to revive, so that she could more nearly feed herself without drawing from us. Also, out of the war came not the international economic co-operation which had been foretold, but accentuated nationalism, the tariffs which walled about the European countries, and the import quotas and limited barter arrangements which were to the same effect. These last were not a little in retaliation against our own trade restrictions.

Our solution of the problem was deceptive. We lent European governments and businesses the money with which to buy from us. This was bound to have an early end, which came with our withdrawal of funds to invest them in our own rising stock market, followed by the crash on both sides of the Atlantic. At the time when we had mounting millions of unemployed at home, on poorly organized and inadequate relief, the practice of economic self-sufficiency was making progress abroad. Uncle Sam, despite war debt reductions, had become to Europe "Uncle Shylock," to be shaken off by every means. Germany particularly stepped up her tariff on wheat, lard, and tobacco to heights almost prohibitive. England, France, and Italy went not so far, but in the same direction.

American farmers staggered under the burden of surpluses which they knew not how to reduce. These were not true surpluses in terms of human need, for there were millions of the hungry all over the world, but were surpluses beyond what could be sold at profitable prices. Industrialists may cut output when there is diminished demand and approach hand-to-mouth buying of materials and labor. But farmers are more than six million separate producing units who cannot quickly plan ahead, for Nature does not co-operate in a stop-and-start program. Also, unable to take effective combined action without some form of government coercion or reward, the individual farmer meets falling prices by planting not less but more as a fatal method of keeping up his income.

AAA to Restore "Purchasing Power Parity"

Attempts were made to get federal help in "dumping" exportable surpluses abroad, with consequent protection of prices of the larger proportion consumed at home. Conservative industrial and financial leaders in congressional control during the Harding and Coolidge eras and to less extent in the time of Hoover, were scornful of farmers' remedial proposals, if not of the farmers' plight. It was the Progressive Republican bloc from farm states, opposed to the Republican majority, which backed farm measures. These measures were naturally many, but they took form finally in the McNary-Haugen scheme, supported by the Farm Bureau Federation, and the export-debenture device, sponsored by the National Grange. Each was a plan for holding domestic prices of agricultural staples above the world price, for giving the farmer a benefit similar to that enjoyed by the industrialist in the tariff. McNary-Haugen bills, which would have enabled farmers to dump surpluses in foreign markets, sharing losses among themselves, were vetoed by President Coolidge in 1927 and 1928, who used the first time "such emotional language that the message cracked with malicious static."[1] When Hoover continued opposition to the McNary-Haugen solution, the export-debenture substitute was offered, but did not pass Congress. In effect, it would have compensated farmers, out of duties on mainly industrial imports, for losses on their agricultural exports.

Hoover's expedient was the Federal Farm Board, set up in June, 1929, with a $500,000,000 revolving fund contributed by the government, for buying up surpluses and selling them later, abroad or here,

[1] William Allen White's phrase.

as advantage offered. The Board was soon convinced that its efforts must be of little avail while it lacked coercive power to restrict production, and within a couple of years its members began proposing the plowing under of every third row of cotton. But President Hoover, in accepting renomination, condemned production control through "government bureaucracy." Governor Franklin Roosevelt, his opponent, departed from his platform by advocating, at Topeka, Kansas, the Voluntary Domestic Allotment Plan in order to attract traditionally Republican votes in the prairie states which he must have for election. The proposal, which was brought to Roosevelt by M. L. Wilson of Montana, through Rexford Tugwell, forecast the lines of attack on the agricultural problem which his administration was to make. The Topeka speech, contributed to, fact and phrase, by no fewer than twenty-five advisers, was designed to be like a modern dog-whistle, with a note so high that the sensitive farm ear would catch it perfectly while the unsympathetic East would hear nothing.

The domestic allotment, as brought out, contemplated, as previous

Caterpillar Tractor Company

GANGPLOW PULLED BY CATERPILLAR TRACTOR

plans had done, a partitioning off of higher domestic prices from lower world prices; there was to be no control over production, surpluses were to be dumped abroad, a scheme was included for taxing consumers to confer "equality for agriculture." As it began to appear, however, that foreigners were not going to submit quietly to dumping, the proposal was altered to provide for holding production down to what the American market would absorb. Unsuccessful bills introduced in Congress during Hoover's last months embodied the main features of what became the Agricultural Adjustment Act of May 12, 1933.

The object of the act was to restore the farmers' "purchasing power parity." This meant to raise the prices of basic farm commodities relative to the prices of industrial commodities, to the point where farmers could buy with as much ability as they had enjoyed before the World War (1910 to 1914). The Secretary of Agriculture was invited to raise farmers' income by four devices: (1) restriction of output and removal of surplus supplies from the market; (2) benefit payments to farmers for growing less; (3) levying excise taxes on processors (cotton manufacturers, flour millers, and others) to get the money for these payments; (4) marketing agreements between producers' co-operatives, processors, and distributors in order to increase or maintain prices.

When the act was passed, acutest farm distress accompanied the prospect of bumper crops. Thousands of rural banks had failed. Intimidation of courts and their officers to prevent mortgage foreclosures was spreading. When a farm was to be sold for debt the owner's friends would surround the auctioneer, bid one cent, and have the place knocked down for that, nobody braving their pitchforks with a higher bid. Farmers striking against low prices overturned trucks taking produce to market. Insurance and finance companies that had made loans on farm land and farm implement dealers trembled for their money. It was too late to stop the spring planting or, by any planning short of destruction, to diminish the winter-wheat crop, which would soon be harvested.

Plow-up and the Kill

Seven "basic commodities" were on the list for production control — wheat, cotton, field corn, hogs, rice, tobacco, milk and milk products. Later nine others were added, some of which, such as sugar cane and sugar beets, were basic in a political rather than economic sense. Unfavorable weather unexpectedly made the plowing-under of growing

wheat unnecessary. Not so with cotton, hogs, tobacco, and others on the list. In August began the plowing-under of ten million acres of cotton by a million farmers. The first farmer to plow-under his cotton, a poor man in Georgia, was brought to Washington to be received by the President. He was accorded other signal honors, for the publicity value in getting full compliance with the program. As likely as not this very farmer was put to it to find money for a decent cotton shirt for the visit. It was said at the time that an unlooked-for difficulty in plowing-under cotton was with the mules. The southern mule had been taught for years, with trace-chain and stick, not to step on cotton, and he refused to unlearn his lesson. A policy which seemed good to the Secretary of Agriculture was rejected by the mule in the cotton row!

Corn and hogs forming one problem, the intention for 1934 was to induce the planting of 10,000,000 fewer acres of corn and to breed 7,000,000 fewer hogs. But, since a phenomenally large number of sows were to farrow in the approaching autumn, 1933, the program was anticipated by the slaughter of more than 6,000,000 swine — 222,000 sows soon to farrow, 1,083,000 light pigs, 5,105,000 little pigs — to relieve the hog market the following year. Packers who processed this pork, under agreement with the government, turned nine tenths of it into fertilizer, tankage, soap, and other equally inedible products, only one tenth going in meat and lard, through relief channels, to the unemployed. Over 12,000 acres of tobacco were plowed-under instead of going up in smoke; 60,000,000 pounds of butter were taken off the market and distributed in relief.

The Secretary of Agriculture, the Agricultural Adjustment Administrator, and others officially responsible for the plow-up and the slaughter did not need millions of critics to point to the irony of this waste while one third of America's people were ill-clothed and ill-fed. Washington hastened to explain that this was an emergency policy, a hateful necessity for retrieving the mistakes of former statesmen less wise. By this destruction of food and fiber, while millions of families were miserably clad and hungry, "balance" between agriculture and industry would be restored and so all, it was hoped, would have enough. But the question edged itself into many minds whether an economy which demands such a stultifying sacrifice is worth saving. While the plow-up and the kill formed the part of the "control" program which most shocked attention, this was only the preliminary to steady crop reduction paid for by the consumer's dollar.

Besides restriction of the output of basic commodities for which co-

operating farmers were compensated by "benefit payments" taken from taxes on processors, other devices were used to raise agricultural prices. Wheat was exported to China and elsewhere, the government standing the loss. Quantities of meat, milk, and other foodstuffs were distributed to those on relief. Products, such as lard and peanuts, were diverted in quantities to lower-value uses, and put in a form to remove them from the consumer market. Marketing agreements, as they were called, bound distributors and processors to pay higher prices for products not on the basic commodities list in cases where output was to be reduced to raise the market price. Several devices were used. Thus, inferior grades might not be shipped, "shipping holidays" left perishable products to be consumed or spoil on the farms, or shipping quotas were given producers. If most of the distributors and processors adhered to an agreement, others were forced to do so in order to get a license to continue business. The marketing agreements, which were much like the NRA codes, applied among other things to fluid milk, fruit, and nuts. After the Supreme Court decision holding the NRA unconstitutional, most of the marketing agreements under the AAA were abandoned, since they applied mainly to commerce within a state. Another price-raising method was that of commodity loans to farmers who chose to store their cotton or corn in preference to putting it on the market at once.

The AAA program contained certain safeguards of the consumer, but they were minor. The increased prices for food and cotton goods which the consumer must pay would be offset, Secretary Wallace said, by increased employment and wages because of restoration of the farmers' purchasing power. Retail food costs while the AAA was in operation rose about 25 per cent, of which four fifths went to farmers mainly in higher prices and in benefit payments, and one fifth to processors. Consumers paid $250,000,000 additional for flour and bread, $500,000,000 more for cotton goods. Where more than the amount of the processing tax was passed on to consumers, as seems to have been true in the case of pork, the price was so high that consumption decreased. The processing taxes, except in the instance of tobacco products, appear to have been shifted to the consumer. These were really sales taxes of the worst sort, bearing most onerously upon the poor. Even so, the AAA program paid for less than half its $1,700,000,000 cost, the Treasury bearing the remainder, which was made larger by drought relief and resettlement of submarginal farm families.

Results of AAA Hard to Determine

The effects of the AAA in reducing agricultural output, raising prices, and contributing to recovery are exceedingly difficult to appraise. Thus, drought cut wheat production more than the AAA did, so that in 1935–36 we had net imports of wheat. Adjustment did reduce corn, and cotton more, because restriction was accomplished by a prohibitive tax on every pound of cotton which the farmer brought to the gin in excess of his assigned quota. The price-raising results of these reductions cannot be known because the monetary policies of the government also had an influence in this direction. Accompanying the AAA, and certainly in good part because of it, farm people increased their buying of industrial products, notably in the Southeast.

Processing taxes, regarded as the chief instrument of the AAA, were held unconstitutional by the Supreme Court in January, 1936, but the next month the Soil Conservation and Domestic Allotment Act restored much of the invalidated machinery for crop restriction in a different guise. Under this law farmers were paid for "conserving" the soil by limiting its output, which amounted to the same thing, though now their payments had to come out of the general Treasury. Soon the "ever-normal granary" plan, embodied in the new Agricultural Adjustment Act of 1938, was combined with crop insurance in the case of wheat, with prospect of extension to other commodities later. Wheat farmers paid for crop insurance, in years of superabundance, in wheat, the grain being stored and turned back to them in insurance payments in bad years. Eighty million bushels were thus stored in 1939. The ever-normal granary plan in the same year, through loans rather than insurance, stored 260,000,000 bushels of corn and 11,000,000 bales of cotton. This 1938 law provided for marketing quotas, with heavy taxes on amounts sold by farmers in excess of quantities allowed them. Also, the Marketing Agreements Act of 1937 revived pretty much what had been declared unconstitutional before; two years later forty such agreements were in force.

Export subsidies were used to dump farm staples abroad, but the reciprocal trade agreements program, on which Secretary of State Hull was making progress until the outbreak of the Second World War, was a more hopeful policy because it promised permanent enlargement of the world market for our surpluses. These agreements with fifteen or more different countries, which were gradually relaxing the high-tariff systems that had gripped Europe and America, opened this country to

certain exports of foreigners in return for similar, and even more favorable, concessions to our producers. The food-stamp plan of the Federal Surplus Commodities Corporation permitted relief recipients to get fifty per cent more food in designated "surplus commodities." The Corporation distributed enormous quantities of food in direct relief and through free school lunches.

In summary of the control phases of the AAA, it was founded on the price system, yet so far manipulated this system as to set aside its self-acting character. This was officially explained as a necessity of the emergency. The question remains whether our agriculture does not face a "permanent emergency" so long as improved means of production increase farm output beyond domestic and foreign ability to buy.

An important part of the AAA program remains to be mentioned, what may be termed its social work under the Resettlement Administration, later the Farm Security Administration. This agency helped farmers where the problem was human quite as much as agricultural. It adjusted crushing farm debt; it moved rural population from land not fit for cultivation to better locations where carefully supervised resettlement projects with necessary co-operative features were developed.

Keystone

CUMBERLAND HOMESTEADS: A RESETTLEMENT PROJECT

Loans were offered to depressed farmers for rehabilitation of subsistence homesteads and to tenants who wanted to become owners. Drought sufferers were rescued. The Farm Security Administration recognized that the AAA positively hurt many share-croppers and farm laborers by driving them off land taken out of use. These people added to the increasing numbers of migrant farm families drifting aimlessly to the "factories in the fields," the commercial farm areas of Florida, California, and the Northwest. These destitute itinerant families encountered irregular employment at low wages and abominable living conditions in their improvised camps along the roadsides. The Farm Security Administration provided a number of excellent camps with sanitary facilities and recreational equipment in the most needy areas, with a few houses and garden plots for those able to keep permanently employed. Still, the thousands provided for in the government camps were a fraction of the total of migrants. The Farm Security Administration was unable, for several reasons, to push its program of setting up true co-operative agricultural communities. It was difficult to assemble enough good land, Congress restricted appropriations for this purpose, and it was feared that co-operatives, being more efficient than small single farms, would add to quantity and reduce prices of commercial crops.

In describing the National Industrial Recovery Act we referred to the guarantees it carried for workers, intended to increase employment and wages and insure the right to organize. We now treat labor, as it figured in the New Deal, in more detail, but before doing so it is necessary to take a backward glance to see how organized workers had fared during the depression.

Open Shop Drive and Company Unions

The employers' open-shop drive of 1920–22 was a blow from which organized labor did not begin to recover until the depression of the thirties and the election of Franklin Roosevelt to the presidency. Between 1920 and 1933, organized labor lost at least two million members. The National Association of Manufacturers and other employers' organizations took the lead in the "open-shop" or anti-union drive, declaring that "The right of open-shop operation is an essential part of the individual right of contract," and christened their advocacy the "American Plan." This latter move was a happy one for the employers; the self-conscious patriotism of the war period had lingered on, so that auto-

matic support and public sympathy accrued to anything labeled "American." The open-shop campaign had two principal methods. The first was direct anti-union tactics of various sorts; the second was to cut the ground from under the unions with employee representation plans, later known as "company unions."

Anti-union pressure took many forms. Every sort of persuasion was used on the workers — speeches, newspaper advertisements, printed material which even invaded pay-envelopes. Legal weapons, especially injunctions, were used wherever possible. Individual workers were blacklisted, and employers having union contracts were boycotted. Labor spying, a legacy of the war, was widespread. This was the heyday of the "yellow-dog" contract [1] as a condition of employment; this required the worker to sign a contract prohibiting him from becoming a union member during the period of his employment, and of course requiring the relinquishment of any union membership which he already held.

None of these things was so subtle, nor so successful, as the rise of the company union. Company unions existed as early as 1910, but were first publicized when the "Rockefeller Plan" was inaugurated by the Colorado Fuel and Iron Company after a bloody strike. During the war, a number of corporations which were forced by the War Labor Board to accept collective bargaining fostered company unions as the bargaining agent. A company union is one in which the impetus for organization comes from the employer, not from the workers. It is confined to one plant, and thus has no connection with the rest of labor; foremen and other supervisory employees are not barred from membership.

On behalf of company unions, it was urged that the individual plant is the proper bargaining unit, since most of the workers' grievances arise from immediate conditions of employment. So long as the attention of organized labor was confined almost exclusively to craft organization there was no effective answer to this. With the rise of industrial organization, however, this telling argument for company unions was no longer good. It was said, further, that company unions provided education in workers' problems for employers, and vice versa. *Bona-fide* unions, of course, provide the same opportunity. Company unions promoted loyalty, it was claimed. This was particularly true where "welfare" schemes of insurance, medical care, housing, and recreation were a part of company unions. Loyal workers seldom wish to strike.

[1] Outlawed by provisions of the Norris-La Guardia Act, March, 1932.

The chief objection to company unions is that they are invariably inspired by management. Employers most in favor of company unions have been those most opposed to *bona-fide* unions. The field of operation of company unions has always been confined to relatively unimportant matters — management of lunch-rooms, recreation facilities, and the airing of petty grievances. Not until the beginning of the New Deal were company unions given the shadow of power as to wages or hours. Rectification of even trifling complaints was left to the employer's discretion. Workers' representatives, for even limited functions, were likely to be persons favored by management. Co-operation was always found to be difficult in cases where representatives were inclined to independence. Finally, all the power was on the side of management. In dealing with company unions, employers can always discharge individuals found troublesome, ignore or refuse the union's requests, or even threaten to move the plant or close it. In contrast to these weapons, the workers have none. There is no union label, the use of which can be withdrawn. Dues are little or nothing, so that there is no union treasury to support a strike. Other unions cannot be called on for support, since there is no connection with the rest of labor. Any insurance comes from the employer, not from the penniless union, so that a strike would abolish this benefit. Organized labor fought the company unions consistently after they became important, but in spite of that, company unions gained, in the years following 1920, about two million members — approximately the same number lost by regular unions, though not the same individuals.

By 1922, the big industries were safely open-shop, so successful was the employers' campaign. In the remaining years of the decade there was no vigorous anti-union drive, but union losses continued. The American Federation of Labor undertook no organizing campaign; boom years and conservative leadership were chiefly responsible. From more than 4,000,000 in 1920, AFL membership had fallen below 3,000,000 by 1929, and sank further to a low of 2,317,000 in 1933.

National Labor Relations Act

The first real fillip to organized labor after the desperate early years of the thirties came with the passage of the National Industrial Recovery Act in 1933. Workers were guaranteed, through the famous Section 7(a), as we have seen, the right to organize and bargain collectively through representatives of their own choosing, without interference or

coercion from their employers. Despite incomplete enforcement, this section gave broad statutory sanction to the principle of collective bargaining. Some important new unions were formed in mass-production industries such as automobiles and rubber. Section 7(a), however, did not provide a complete safeguard to organized labor. The simultaneous boom in company unions was an attempt by employers to satisfy the letter of the law without the substance. It is estimated that not more than 20 per cent of the employees under NRA were represented in dealing with their employers, by *bona-fide* independent unions. Labor gains were further interfered with by the opposition of the administrator of NRA to strikes, the reluctance of the National Labor Board to act when Section 7(a) was violated, and by interference of employers in labor elections in their plants. In 1935, when the act was declared unconstitutional by the United States Supreme Court, labor was left temporarily without legal support.

The National Labor Relations Act, passed in July, 1935, was intended to restore the guarantees of Section 7(a), remedy the weaknesses of NIRA as to labor, and set up a board for hearings and enforcement. Better known as the Wagner Act, after the Senator from New York who was its chief architect, it created in the National Labor Relations Board an improved successor to previous similar boards. Its chief new characteristic was the substitution of three non-partisan experts as members for the previous partisan representatives of labor and employers. In general terms, workers are given "the right to self-organization, to form, join, or assist labor organization, to bargain collectively through representatives of their own choosing. . . ." [1] These rather vague rights are implemented by the enumeration of certain unfair labor practices, any one of which constitutes violation of the act. Specified acts tending to make the worker fear loss of his job as a consequence of joining the union are prohibited, company unions are outlawed, discrimination "in regard to hire or tenure of employment" against union members is forbidden. The Board has power to supervise elections when asked by employees to do so, in order to determine what union, if any, shall represent the workers in an appropriate bargaining unit. The Board may order employers to make a *bona-fide* attempt to bargain collectively with their employees. It has no power to insist on a settlement.

Action by the National Labor Relations Board begins with a citation

[1] Because of the limitations of the federal Constitution, the act had to be based on the interstate commerce clause, and so applies only to workers whose product enters interstate commerce. Important large groups of workers are also specifically excluded, such as federal employees, domestic servants, and agricultural workers.

of the employer for unfair practice, by any worker or a union, or with a request to hold an election to determine the bargaining agent. Charges are made to one of the NLRB's regional directors, and must be sworn to. The regional director must then investigate and issue a summons to both parties for an open hearing if sufficient grounds for complaint are found to exist. Hearings are held before a trial examiner appointed by the Board. If the employer is not guilty, or sufficient evidence of guilt does not exist, the examiner may dismiss the case, or labor may withdraw its charges. The evidence may, of course, show the employer to be guilty, in which case the examiner advises compliance with the law.

If the employer refuses to comply, the next step is a review, by the Board itself, of the record of the hearings and the examiner's report. After consideration, the Board issues a decision, which may either dismiss the case or again advise compliance. If the latter, and the employer still refuses, further recourse is to judicial review, since the Board has no power of enforcement. The procedure is for the Board to ask for review by the Circuit Court of Appeals. From its decision, either party has final recourse to the United States Supreme Court.

Controversy over National Labor Relations Board

The work of the NLRB has been controversial from its very beginning, for several reasons. First, collective bargaining and "labor's search for more" have always brought objections from many employers. Second, the business viewpoint finds a ready mouthpiece in metropolitan newspapers, which also represent big business and the employer's bias. Efforts to influence the public against the Board were constant. Third, labor's split, discussed below, often put the Board in the position of having to choose between an AFL and a CIO union as the proper bargaining agent in disputed elections. In such cases, especially early in the Board's history, the CIO union frequently won, after the AFL began its policy of organizing in fields where the CIO had already been active. Of the first 208 such cases, the AFL won only 23 per cent. It was natural that the first group in the field was likely to have a majority of the workers as members, and therefore to be certified as the bargaining agency. Hostility was shown the Board by the AFL, although later there was not such a preponderance of decisions favorable to CIO unions.

Actually, many of the Board's cases are settled without formal action of any kind — that is, without the issuance of a complaint in unfair labor practice cases and without notice of a hearing in representation

cases. During the fiscal year 1938–39, 84 per cent of the Board's cases were settled informally; in 1939–40, 83 per cent. In the latter year, dismissal by the Board accounted for 17 per cent of the cases, withdrawal of charges by the complainant for 28 per cent, and settlement agreeable to both parties for 38 per cent. Of the remaining 17 per cent, cases in which formal action was necessary, 3 per cent were settled by the trial examiner's hearing, and 11 per cent after review and decision of the Board. Only a residual 3 per cent required court action.[1]

Cases settled by informal action are rarely news, and therefore do not get publicity, except perhaps in the labor press. Usually only the small fraction of cases requiring court action result in headlines. A small number of important and recalcitrant employers was responsible for most of the publicity and for the formation of public opinion about the Board and its work. Some of those employers who may be mentioned are Ford, Remington Rand, Republic Steel, and Consolidated Edison.

In the beginning, the work of the NLRB was hampered by the fact that almost immediately after passage of the Wagner Act a group of fifty-eight prominent lawyers, associated with the American Liberty League, issued a statement that in their opinion the act was unconstitutional and advising employers to disregard it. One effect of this was to discourage complaints to the Board by workers. Another effect was a large number of injunction suits brought by employers to thwart the work of the Board, necessitating diversion of its time and energies to fighting such suits. The Board eventually won all of them, since the Wagner Act specifically forbids the granting of injunctions by federal district courts against the activities of the Board. In April, 1937, the constitutionality of the act was upheld by the United States Supreme Court in five different cases, and most employers were persuaded that it would be necessary to obey the Board.

This marked a new phase in attacks. Attention was now concentrated on securing congressional amendment of the Wagner Act, particularly to prohibit jurisdictional strikes, sympathetic strikes, strikes for a closed shop, and strikes in defiance of existing contracts. None of these amendments was then passed. The Board on occasion, however, has modified its rules of procedure to meet criticism, as for example when it decided to allow employers to appeal to the Board to choose between rival unions, each claiming to be the proper bargaining agent. Another move of the Board's enemies was to secure a congressional investigation of its activities. Such pressure for modification or severe crippling of the Wagner Act recurred at intervals.

[1] National Labor Relations Board, *Fourth, Fifth Annual Reports.*

Wage-Hour Legislation

In October, 1938, another act vitally affecting labor was passed by Congress. This was the Fair Labor Standards Act, better known as the Wages and Hours Law. This act set out to reduce the maximum work-week and to increase the minimum hourly rate of pay for workers engaged in interstate commerce. Administered by a semi-autonomous Wage-Hour Division within the Department of Labor, the scheme was to reduce hours gradually and to spread scheduled pay raises over a period of seven years. During the first year's operation, maximum hours were set at forty-four per week, minimum hourly pay at twenty-five cents; in the second year, at forty-two hours and thirty cents. The forty-hour week was attained at the beginning of the third year, October, 1940, but the minimum hourly wage was to remain thirty cents until 1945. During the first year, 300,000 workers received pay increases, 1,400,000 benefited by a reduction in hours. In the second year, 690,000 got pay increases, 2,382,500 worked shorter hours. The forty-hour week in the third year benefited about 1,950,000 workers. Some 700,000 others employed in machinery and other defense industries worked longer than forty hours per week, but were paid time-and-a-half for overtime. The Wage-Hour Administration encountered three chief difficulties in the first three years of its operation: first, coping with the investigation and prosecution of thousands of complaints alleging violation of hour or pay regulations; second, demands for wider exemption of employees processing farm products, because of seasonal pressure; third, confusion over application of the act to white-collar workers.

As in the case of the Wagner Act, it was widely asserted that the Wage-Hour Law was unconstitutional. In February, 1941, however, by unanimous decision, the act was upheld by the United States Supreme Court. In the decision, the powers of Congress under the interstate commerce clause received a wider interpretation than the Court had ever explicitly given before. Such power, it was said, "extends to those activities intrastate which so affect interstate commerce or the exercise of the power of Congress over it as to make regulation of them appropriate means to the attainment of a legitimate end, the exercise of the granted power of Congress to regulate interstate commerce." Such an interpretation would appear to open the door to other much-debated labor legislation, such as a federal act to prohibit child labor.

Industrial Unionism a Major Issue

The beginnings of organization in the mass-production industries under NRA helped to precipitate a major quarrel within the ranks of labor. The AFL had always concerned itself principally with the organization of skilled workers, particularly native Americans, into craft unions. In 1886, when the AFL was formed, there were more skilled than unskilled workers, and many of the latter were foreign-born. As time passed, however, mechanization increased greatly, and mass-production industries using chiefly unskilled workers became more and more important, until the proportion of the unskilled was greater than the skilled. The AFL did not keep pace with the times; it remained uninterested in the organization of the unskilled, partly because of the vested interests of AFL leaders, partly because the old craft-union pattern did not fit the unskilled.

Within the AFL, however, was a group which considered the industrial union (organized by industries, rather than by crafts) the type suitable for unskilled workers. Two reasons were urged. In the first place, the unskilled have no specific trade; in many industries they work on an assembly line, repeating one simple operation time after time. In the second place, training for jobs so simple is very brief. Unskilled workers can, therefore, be replaced so easily that the strike is an ineffectual weapon unless an entire plant is embraced in the union. There are advantages in industrial unions for skilled workers, also.

The AFL included a few unions of the industrial type, such as the United Mine Workers and the Amalgamated Clothing Workers. Pressure from this group for industrial unionism was exerted at the AFL conventions in 1933, 1934, and 1935, without success, because of opposition from those holding the balance of power. This opposition proceeded partly from the fact that the proposed new industrial unions would include numbers of skilled workers, to whom the craft unions would lay claim. Failing to get official action, the group interested in industrial unions finally, in November, 1935, formed (still within the AFL) a Committee for Industrial Organization.

Consisting at first of eight AFL industrial unions, under the dominating leadership of John L. Lewis and his United Mine Workers, the CIO by the end of 1940 included thirty-five unions, with eight general organizing committees. By this time, however, one of the original CIO unions (the International Ladies' Garment Workers) had returned to the AFL. Major organizing campaigns were undertaken in automobiles, steel,

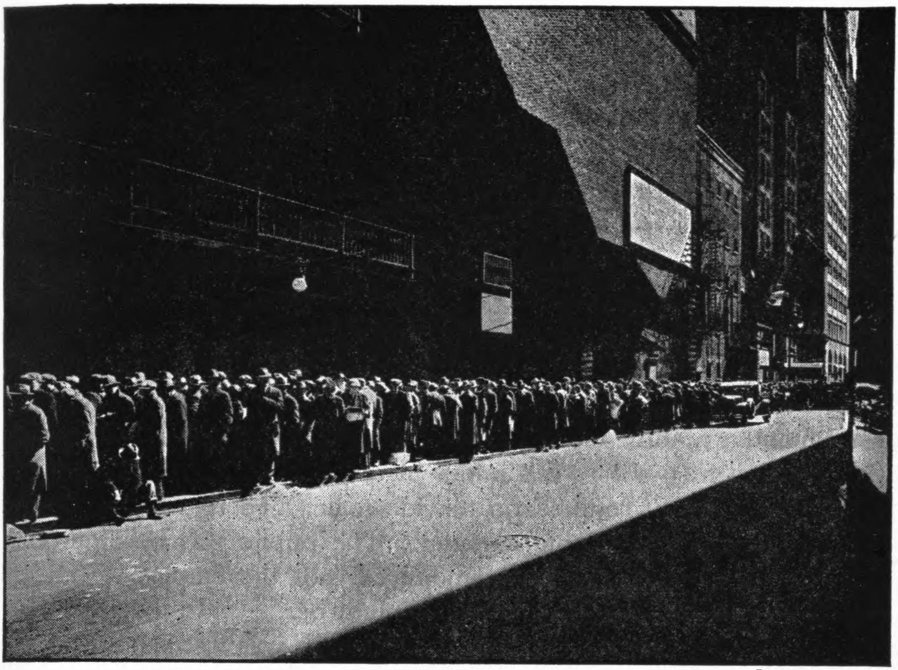
rubber, and textiles, in each of which industries important gains in membership and agreements with employers were made. Many lesser fields, such as journalism and the "white-collar" clerical trades, were also invaded by the CIO. At the end of 1940, the CIO claimed a gross membership of 4,000,000; the AFL of 4,247,443 paid-up members.

By spring of 1938, CIO unions which had originally been within the AFL had either withdrawn or been expelled, and a decision to organize the CIO on a permanent, constitutional basis had been reached. Its name was changed to the Congress of Industrial Organizations, and there were two full-fledged American union organizations, in addition to the independent Railway Brotherhoods. Meetings between the two factions to try to heal the breach preceded the decision to organize CIO permanently; nothing came of the attempt, except increased bitterness. Dual unionism (two *bona-fide* unions in the same field), the bane of all labor organization, resulted on a wide scale. There were, in consequence, many jurisdictional disputes. The public was bewildered at seeing pickets whose placards denounced, not the employer, but the rival union, AFL or CIO, as the case might be.

The most important result of labor's breach was to alienate a large section of public opinion, the middle-class man in the street who may be persuaded that workers have a right to organize, to protect their jobs and working conditions, but who has less than no interest in squabbles among unions. Not until the shift to a war economy compelled united action did the rival labor organizations compose some differences (1942).

Relief of Unemployment

The most serious single problem of the depression years was that of unemployment. Before its magnitude in the thirties became apparent, economists thought comfortably that it had well-defined limits. Seasonal changes in demand made the work of some irregular; that might be taken care of by turning to some other product in the slack season, in the traditional manner of the coal and ice merchant. The introduction of machinery displaced some workers; but new industries would sooner or later develop to take care of them. Business depression, of course, always caused contraction and unemployment, but savings tided people over. In cases of real need, private charity prevented suffering. Underneath this reasoning lay the assumption that ours was an expanding economy which needed a "residual" unemployment of one or two millions, for flexibility.



Brown Brothers

BREADLINE IN GREAT DEPRESSION, NEW YORK CITY

As depression deepened in 1930 and successive years, it was apparent that this time the numbers of those unemployed were far greater than ever before. Just *how* great at any particular time was never known, since there was nothing like accurate registration of those without work, and difficulties of definition hindered estimates.[1] There were several of the latter which were widely used, differing in volume but agreeing on the trend of unemployment. From a low level late in 1929, the figures rose to a sharp peak in March, 1933; after that the trend was downward, with a secondary peak in the winter of 1937–38. Then followed a slow decrease, becoming pronounced in 1941 as the defense production program began a real acceleration. Estimates of the numbers of unemployed at the worst point varied from 14,000,000 to nearly 18,000,000. The general method of estimation was to find the total of the working

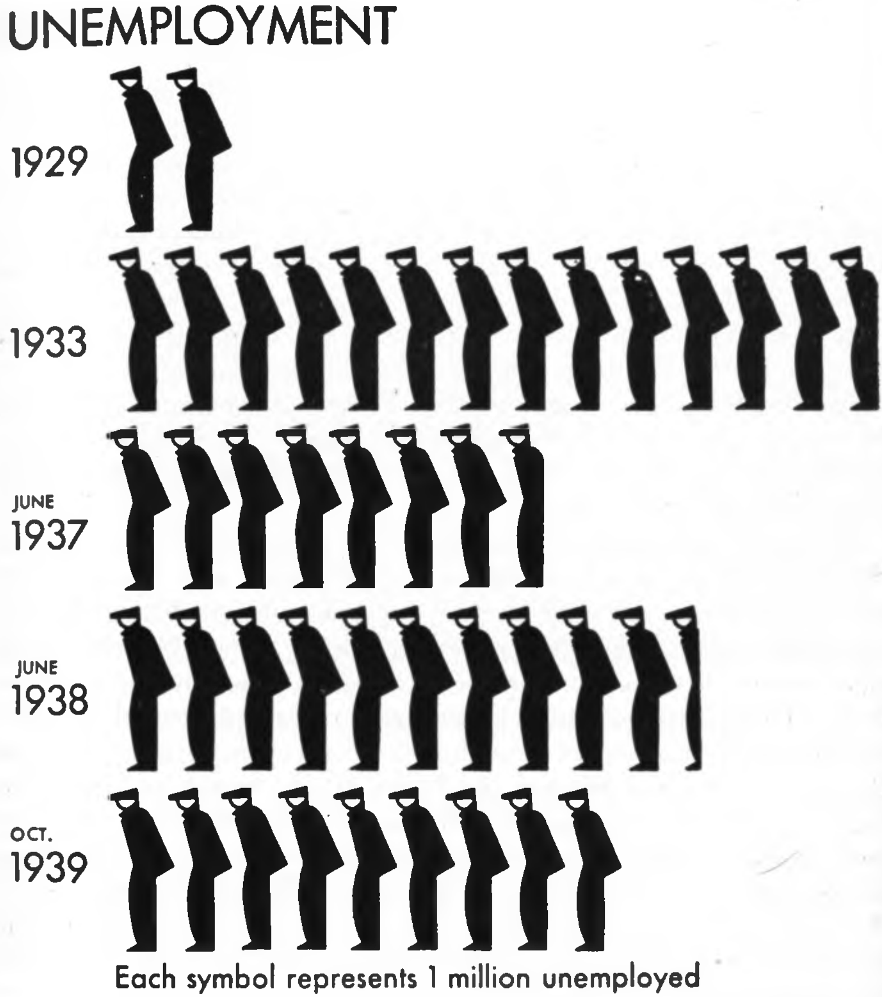
[1] Attempts were made in April, 1930 (at the regular decennial census), and in November, 1937, to take a census of unemployment. Statisticians differed over the unsatisfactory results. The 1930 figures showed about 3,500,000 without work, but competent authorities declared this figure ought to be about 30 per cent higher to approach accuracy. The 1937 enumeration indicated about 9,500,000 unemployed.

population (including young people looking for work for the first time) and subtract from that the total number employed.

In the United States, private charity has traditionally cared for those unable to maintain themselves independently, though public institutions have provided more or less adequately for some broad groups, such as the insane and the mentally deficient. President Hoover expressed himself publicly a number of times as being opposed to superseding private by public efforts, when it began to appear that the former could not carry the burden which grew progressively greater. But state and local resources had to be used; these gave out, and federal help could not be put off. It began in the summer of 1932, with loans, later made grants, to the states by the Reconstruction Finance Corporation for relief. Federal participation became the most important factor in relief after Franklin Roosevelt took office, but went through several phases before a working policy was evolved.

At the beginning of the New Deal, all public relief was in direct "dole" payments, administered locally, with state and federal funds, the latter bulking by far the larger. Supervision by the federal government under these circumstances was practically impossible, though an effort was made to raise local relief standards to a more nearly adequate level. This grant-in-aid relief system was to be supplemented by direct stimulation of employment through such federal agencies as the National Recovery Administration and the Public Works Administration. The latter especially was disappointingly slow to make jobs, since there was no plan for a public works program, and the building of roads, bridges, schools, and post-offices cannot be got under way suddenly, hit or miss. As a stop-gap for the winter of 1933–34, the Civil Works Administration was set up to supervise an emergency work-relief program. Its chief value was in the stimulus given to business by the quick release of purchasing power (about $850,000,000 was spent in a little more than four months), for the projects were mainly of the make-work, "leaf-raking" sort. Following the end of CWA, for nearly a year public relief was practically planless; direct relief and work relief, each participated in by both federal and state and local governments, went on in haphazard fashion, urged by the immediacy of the need.

By January, 1935, a more coherent plan was proposed in the President's message to Congress. The federal government was to withdraw gradually from direct relief, responsibility for which was to rest on state and local authorities. Direct relief was narrowed to include only the unemployable — those unable to work because of age, illness, or some



Pictograph Corporation

UNEMPLOYMENT IN THE DEPRESSION OF THE NINETEEN-THIRTIES

other circumstance. For employables, the federal government was to undertake a works program to replace both direct relief and the existing type of work relief. It was never possible to limit direct relief strictly to the unemployable, for there were always some who, though able to work, could not be fitted in to the works program. On the other hand, the burden on local governments was lightened in a number of respects by later social security legislation, as we shall see.

The Works Program undertaken in 1935 was subjected to severe

criticism from right, left, and center, but it managed to make tangible, sometimes notable, contributions to various aspects of the national life as well as to give employment to many. In its first five years, nearly eight million different persons were for varying periods at work on WPA projects. Heads of families were given preference, and those employed included nearly every occupation and profession. One of the most frequent and least justified criticisms of the program was directed against the inclusion of projects for artists, writers, musicians, and actors, with the idea of preserving and developing skills, rather than putting those with such talents to work at pick-and-shovel or clerical jobs.

Objects of Works Progress Administration Projects

The principles laid down for those planning the work, pretty well adhered to, afford the best basis for judgment. (1) All work should be useful in the sense of affording permanent improvement in living conditions or of creating future new wealth. (2) Compensation to workers should be in the form of "security" payments larger than the amount received as a relief dole, but not so large as to encourage rejection of opportunities for private employment. This requirement, for "security" wages, was the object of bitter opposition from labor and its friends. An effort to force payment of prevailing wages paid in private industry was defeated, except for permanent building projects. (3) Projects should be chosen on which a large percentage of direct labor could be used. This was intended as a contrast to PWA, where much of the appropriation had to be spent for materials. (4) Preference should be given to self-liquidating projects, like toll bridges, which ultimately would pay for themselves. (5) Projects should be selected and planned so as to compete as little as possible with private enterprise. (6) Work should be planned with a view to tapering it off in proportion to the opening of opportunities for private employment. (7) Projects should be located to serve the greatest unemployment needs.

Flexibility was one of the goals kept most prominently in mind by those administering WPA. This enabled the work not only to contract and expand with the course of unemployment and resulting need, but to meet emergency situations such as drought, hurricane, and flood. State and local authorities bore part of the costs of the works projects. In general, the federal government paid the workers and some of the cost of materials, while local sponsors provided equipment, most of the materials, and the wages of non-relief employees needed for technical or

supervisory work. In the first two and one half years of the program, federal appropriations for it totaled $8,500,000,000; of this, about three quarters was spent for construction, the rest for such items as music, art, education, and research. During the fiscal year 1939–40, when employment conditions were better, federal expenditures were $1,500,000,000, those by local sponsors $494,000,000.

As has been indicated, much of the work was construction of various sorts. In five years nearly five hundred new airports were developed, and an even larger number of existing ports were improved. Construction and rebuilding of 517,000 miles of roads and streets were completed in the same period, mostly in farm-to-market roads. Nearly 26,000 new buildings were erected, over 67,000 renovated, and 3200 enlarged by the middle of 1940. Most of these were school and college buildings of all sorts; many were public libraries. The figures give a notion of the tangible assets created by WPA. The obvious need for more and improved housing which the masses could afford was not met. The housing division of the Works Progress Administration confined itself to joint efforts with private enterprisers in putting up apartments for middle-income groups. The United States Housing Authority built

Brown Brothers

URBAN MODEL HOUSING DEVELOPMENT

low-cost housing in a number of instances on sites cleared of slums, but did not get into action until 1938, when the depression was nearly over. All of the construction projects, of whatever sort, had the triple purpose of (*a*) supplying income to those on the particular job, (*b*) increasing private employment through the demand for materials, and (*c*) making additions to the national plant.

Non-construction activity included adult education, undertaken principally to reduce illiteracy, but offering also naturalization classes to aliens and vocational training, health education, and courses in public affairs. Leadership was furnished for public recreational activities. Unemployed physicians, dentists, and nurses gave medical and health services, such as the examination of school-children and immunizations against diphtheria, typhoid fever, and other diseases. One of the most useful parts of the work was the provision in many communities of hot lunches for needy children. Before criticism succeeded in doing away with the arts projects, much was accomplished toward enriching the cultural life of localities. In less than two years, 50,000 public concerts were given and 45,000 theatrical performances. New audiences were reached by these efforts. One contribution was the "Ballad for Americans," included originally in a forgotten WPA show.

Much of the construction work assisted national defense, even before that program was undertaken in earnest. After that, WPA work more and more took on the defense character, as did also that of the National Youth Administration and the Civilian Conservation Corps. The latter was dropped in 1942 on the ground that most of the enrollees in the camps were from rural areas and should return to the farms to raise food for the war. WPA itself, as the war effort increased, tended to disappear. The achievement of the relief program was filling a desperate need rapidly and with imagination. Trial and error produced a certain amount of waste and lost motion, but on the whole accomplishment was substantial and without graft. For the future, intelligent long-range planning could result in greater efficiency.

Social Insurance and Pensions

The Social Security Act of August 14, 1935, became one of the New Deal's principal claims to humanitarian statecraft. Its passage speeded national provision against the economic ills of unemployment, old age, and child dependency beyond previous expectation. It embraces five

groups: (1) the unemployed; (2) the aged; (3) widows and dependent children; (4) the physically handicapped; (5) the general population through additional appropriations for public health. The act has two limitations. Because of constitutional cautions, most of its provisions require joint state and federal action; standards of benefit are set by the states, though these standards must have the approval of the Social Security Board. In the second place, large groups are at present excluded from unemployment insurance and annuities — workers in agriculture, domestic service, public employment, the self-employed, those in small establishments with eight employees or less (except in states whose laws include these), and those on the payrolls of non-profit institutions, such as colleges, hospitals, and churches. Probably less than half of the workers of the country are included. As noted below, plans have been projected for liberalizing the scheme.

As passed, the act imposed on included employers a 3 per cent payroll tax, to be reached in full by 1938, to finance unemployment insurance. The employees of a state got no benefit from this tax unless the state passed an unemployment insurance law, in which case 90 per cent of the federal tax was deductible from the tax levied by the state. The remaining 10 per cent is used by the national government in administering unemployment insurance, state taxes being paid over to the federal Treasury. The states hastened to qualify, with laws intended, on the average, to give the unemployed (if he had worked a certain time) half his wages for about twelve weeks, following a waiting period to protect against false claims. The maximum weekly benefit, however, was about fifteen dollars, since increased.

The aged are placed in two classes: workers sixty-five or over who may qualify for annuities and dependent aged citizens who, no matter what their past occupations, are eligible for pensions. The annuitant, while working, has paid to the federal government, equally with his employer, a wage tax amounting by 1949 to 3 per cent. He receives, if he quits work at sixty-five or above, an annual payment depending in amount upon his past earnings, but not to be less than ten dollars nor more than eighty-five dollars per month. The pension, as distinguished from the annuity, is non-contributory on the part of the worker. The federal government matches state pension contributions up to twenty dollars (formerly fifteen dollars) per month. The contributions of some of the states are too small to permit of a pension on which the recipient may live, but the federal government, while disapproving of such low allowances, has thus far been powerless to do more than pay its share.

The pension is charitable assistance, while the annuity is insurance calculated on an actuarial basis.

The federal government pays since 1940 one half (originally one third) of monthly pensions to widowed mothers who have dependent children, and makes an appropriation to states to help in care of dependent children in institutions.

As to the handicapped, the national government pays half of the pensions to the needy blind up to twenty dollars per month, and matches state expenditure on special training of those otherwise physically disabled. It assists the states in the care of crippled children.

In default of sickness insurance, which the Social Security Act does not include, something is done toward prevention of illness. The federal government appropriates an amount annually for extension of the United States Public Health Service and gives sums toward similar work of the states, including maternity and child health.

Amendments to the act in 1939 were most important in the case of old age insurance. Benefits were made to begin January 1, 1940, instead of two years later. Eligibility requirements were liberalized to embrace more old workers. Benefits, as indicated above, were increased. Of special aid toward making the annuity adequate was the amendment extending protection to the aged wife and dependent children of the beneficiary. The new benefit to the wife and to each dependent child is half of the primary benefit to the annuitant. To take just one illustrative case, an annuitant who has worked for forty years at an average monthly wage of $50 (say, a laborer) would have received, under the original act, $32.50 per month no matter how many dependents he had. Under the law as amended in 1939, the family receives $40 if there is one dependent, say, an aged wife, and $50.30 if there is a child under sixteen, or under eighteen if still in school. If the average wage was $100, the annuitant family with one dependent now gets $52.50, with two dependents, $62.80.

Payments to survivors under the old age insurance plan are now made monthly instead of in a lump sum (to provide continuing protection), and have been rearranged so as to be relatively larger in the case of deceased young workers more likely to leave dependent children.

An amendment brings under the act, both for old-age insurance and unemployment compensation, employees of building and loan associations, and of banks which are members of the Federal Reserve System. Under the assistance program, additional federal funds now made available for widows with dependent children and the handicapped should prove of help particularly to the poorest states.

WIDER COVERAGE FORESEEN

The Social Security Board has made recommendations for increasing the coverage and improving the benefits under the program. Foremost is the proposal that old age and survivors' insurance (annuities) be extended to the large groups of workers now ruled out — agricultural, domestic, public, those working for non-profit agencies, and the self-employed. It is further urged that the federal unemployment insurance tax include employers of less than eight workers, and cover all of the groups mentioned above except public employees and the self-employed.

An obvious and serious lack in the Social Security Act is provision for health and disability insurance. Because we do not have it, except in very few states, many workers lose their status in unemployment compensation and old age and survivors' insurance; that is, their insurance lapses because they are not employed because of illness or disability, which is no more their fault and is harder on them than being unemployed while in health. But beyond this special problem is the broader one of protecting all the people against the wage losses and other expense of illness. The Social Security Board has given serious study to this question, with recommendation of legislation to establish a broad program of health insurance.

Any covered worker who loses his job must register at a state public employment office, and accept a suitable new job if it can be furnished him. If he cannot get a job through this or other means, his compensation is paid him through the employment office. Others besides covered workers use the employment offices.

When a social security measure was under consideration in Congress, the chief rival of the administration plan was the Lundeen Bill. This proceeded on the premise that the social risks which the administration sought to provide against are not properly chargeable to workers, but arise in the uneven and inequitable functioning of the economic system. These casualties may not be calculated in advance, and so are not properly insurable. They should be compensated from taxes levied on the beneficiaries of the economy — that is, be collected in income and inheritance taxes. The Lundeen Bill embraced the whole working population and provided for health insurance as well as the other sorts. It may be noted that the policy followed in the Social Security Act, while intended to be quite different from this, in practice comes to approximate what Senator Lundeen's bill proposed. The assumption that "funds" were to be built up, on which insured workers could draw,

turned out to be misplaced. The enormous sums paid in payroll taxes have not been set aside by the federal government, but have been used to meet its running expenses just as with other public income. What the workers have, in return for their "insurance payments," is simply a commitment of the federal government to meet their claims when they arise. This must be from taxes. Furthermore, the current proposals for broadening the coverage and increasing the benefits of the Social Security Act are in the direction of such an inclusive system as Lundeen advocated.

The Townsend Plan

The depression following 1929 revived with new force the old demand for recalling prosperity by thrusting money into circulation. Enormous funds were idle in banks in face of huge unemployment and bitter want. Why not put money in the hands of those who sorely needed it, would promptly spend it, and thus start the wheels of industry? This time the proposal had special encouragement. The critical importance of consumption in sustaining production and employment had been popularized by economic investigation and reform advocacy. The government had embarked upon spending as a pump-priming device. Veterans were calling for immediate payment of their bonus, and this was favored in many other quarters as an aid to business. Many states had adopted old-age pensions, and a comprehensive federal social insurance scheme was being formulated. Distribution of relief funds had grown to large proportions, and the country was on a fiat money basis.

While many proposals found eager adherents, the plan of which Dr. F. E. Townsend was the chief sponsor attracted the largest and most vocal following. Though picked to pieces by economists, and cried down by chambers of commerce, banks, and other conservative interests, it had tangible results in raising old-age assistance payments in several states, and in attracting, if not converting, numbers of candidates for public office. Its influence toward liberalizing national social security legislation and in impressing the importance of increased purchasing power of the masses was greater.

The Townsend Plan underwent changes as the propaganda spread and the organization back of it enlarged. In the beginning it proposed to pay pensions sufficient to provide a total income of two hundred dollars per month to all citizens sixty years of age and over who would retire from productive work and promise to spend their income in the

month in which received. The $20,000,000,000 for pensions going to 8,000,000 elderly persons were to be raised from a 2 per cent transactions tax (a universal sales tax), and to a less extent from increased income, inheritance, and gift taxes. It was held that this scheme would restore prosperity without inflation because it would be a redistribution, not an out-of-hand creation, of income; it would force large funds, otherwise idle or destined for investment in unneeded further productive capacity, into circulation in purchase of consumers' goods. By taking elderly persons out of jobs it would make room for younger people then unemployed. Other advantages of the most beneficent sort were envisaged. An extreme form of the pension movement, altered to include paper money and a state bank to replace the private manufacturers of bank credit, had a most spectacular test at the polls in California in 1939 when submitted to the voters as a referendum measure; but, in spite of favoring local conditions, it failed of adoption.

The South Warranted National Help

The Tennessee Valley Authority proved a powerful helping hand and brain to the central portion of the South, bringing national resources of science and construction to the assistance of an area which instead of dragging can be one of the most prosperous and progressive in the country. How sorely this aid was needed was shown in the remark of President Roosevelt that "the South presents . . . the Nation's Number 1 economic problem — the Nation's problem, not merely the South's. For we have an unbalance in the Nation as a whole, due to this very condition of the South." This was said to a group of representative Southerners sponsoring a *Report on Economic Conditions of the South* (1938).[1] The *Report* was prepared in this spirit, viewing the South, not for blame or apology, but as an impaired national asset deserving and requiring rehabilitation.

The South, sweeping in a great crescent of more than half a billion acres from Virginia to Texas, with a fourth of the country's population and with rich and varied endowments, yet was described by "potentialities . . . neglected and . . . opportunities unrealized." As a whole "its

[1] For the most detailed survey, embracing most of the TVA area, see Howard W. Odum, *Southern Regions of the United States* (1936); a talented summary of this, with a contribution of his own, is Gerald W. Johnson, *The Wasted Land* (1937). These books grew out of work at the University of North Carolina, which has been a leader in developing the idea that national social planning should proceed by regions, taking account of their historical, geographic, and economic peculiarities.

people . . . are the poorest in the country." Erosion has washed away an expanse of farm land as large as South Carolina. This destruction was caused by cutting forests, by one-crop constant plowing, and by the prevalence of tenants (over half the South's farmers) exploiting their small parcels of land by raising cash crops almost exclusively. The soil, ailing in fundamentals, was found to be annually dosed with five million tons of commercial fertilizer. Uncontrolled floods, especially of the Mississippi Valley, had been notorious devastators.

One of the persistent southern exports is population, for this region has the country's highest birth rate coupled with the lowest standard of living and most restricted economic opportunities. The depressing results are a crippled population within the South, with higher than national percentages of children and other dependents, heavy unemployment, diminished productivity, and limited power of buying goods from other sections. The South has had the cost of rearing more children with less means, only to see a high proportion of these contribute their work in other sections.

The committee reported that the South's richest state had less per capita income than the poorest state outside the South. The average was \$314 as against \$604 in the remainder of the country. Even in the good year of 1929, southern farm people received average gross income of only \$186, barely more than a third of that elsewhere. Tenant families got less, an average of \$73 per person. Industrial wages were the lowest in America, an average of \$865 as opposed to \$1219 for the rest of the nation. Public revenue was similarly meager. The burden of public support was put on the poorest people in the least eligible way, in all southern states but one nearly 60 per cent of revenue coming from sales taxes. In addition, poll taxes which they cannot pay kept the most impoverished from voting in eight states. The poll taxes were devised to disfranchise the Negroes, but had the same effect on the poor whites.

One effect of poverty has been inferior schools, the South having to educate one third of the nation's children with one sixth of the nation's school revenues. The danger is to the preservation of democracy within the South and outside it. The committee found the grossest discrimination against the Negro in apportionment of educational funds, even federal funds for this purpose. Recently Mississippi spent six times as much per capita on education of its white children, little as that was, as on its colored children.

It was found that one third of the farm homes had no screens and

one fifth no toilets of any kind. An expensive sickness rate was the result. Other features prevented the South "from moving along with the main stream of American economic life." Some were lack of state protective labor legislation, poor housing in town and country, slender credit facilities and at high interest, a large farm population continuously and profitlessly on the move, unfavorable freight rates, and agriculture injured by the industrial tariff.

Tennessee Valley Authority

Until the late thirties, if one flew over the valley of the Tennessee River in autumn, he looked down on a brown world. Many hills had been denuded of trees. From serrated slopes the topsoil had been washed by heavy rains. In the folds of the land raw gullies had been opened. The river was red with its burden of earth being carried beyond recall to the sea. But the same trip a decade later revealed a green country, with trees and pastures and sprouting grains and river running clearer. Chains of new lakes spread their expanse. This transformation in parts of six states had been worked by the Tennessee Valley Authority, perhaps destined to stand as the most enduring achievement of the New Deal. It changed the face of nature and no less the lives of 4,500,000 people in an area the size of England and Scotland.

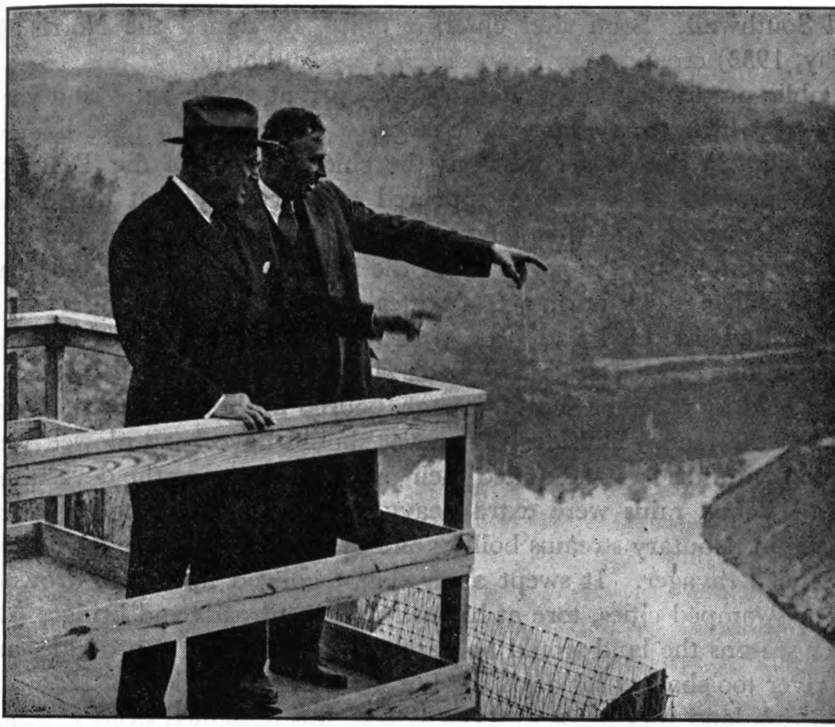
The accomplishment of the New Deal in the Tennessee Valley was the more dramatic because the previous national administrations had been so blind to the need and the opportunity. The great Wilson Dam, together with its nitrate works at Muscle Shoals, Alabama, had been built by the government during the First World War, but for fifteen years private interests had been successful in preventing all use of this public asset. President Hoover particularly had been opposed to public competition with private enterprise in the furnishing of electric current and fertilizer, and had thrown his weight against constructive plans for Muscle Shoals long urged by Senator George W. Norris. When Franklin Roosevelt was campaigning for the presidency, Norris went with him to point the moral in the Tennessee Valley. As governor of New York, Roosevelt had planned for public ownership and transmission of electric power. He now broadened his scheme to make electricity the nucleus of a comprehensive development, under federal auspices, of the natural resources and population of a whole region. He projected similar schemes, with necessary differences, for areas of Northeast, Northwest,

and Southwest. Soon after entering office, he signed the Norris Bill (May, 1933) creating the Tennessee Valley Authority.

Public production and sale of electric current at fair rates as a yardstick by which to measure the charges of private companies lingered for a time in the public mind as the chief purpose of the Tennessee Valley project. But it soon appeared to everybody that this object, while important, was a small part of the undertaking. In the wide work of restoration the resources of the region were to be treated as a united whole. The harmony of water and soil and vegetation which Nature had intended had been destroyed by generations of ignorant exploitation. The forests had been slashed so that rains, instead of being held by roots for gentle seepage, poured in sheets across steep surfaces of the land. Hillsides that never should have been plowed were opened with furrows and added their precious humus to the devastating wash. When rains were extra heavy, a thousand rushing creeks set mountain tributary streams boiling and the great Tennessee River itself became a ravager. It swept away dams, gouged its banks, drowned farms, swamped cities, tore at highways and railroads and bridges. At other seasons the land would be parched, creeks dried to a trickle, and the river too shallow for anything but local transportation.

As rich land was swept away or baked, less remained from which to recoup losses. What was left had to be harder used for a living, with less thought of conservation for the future. Wealth was depleted at an accelerating rate. As the land was eroded, so were the people and their society. Poverty entailed ignorance, and ignorance worse poverty. Families clung to mountain acres that should have been turned back to forest. In the lowlands the quickest returns had to be sought, no matter how damaging, instead of the safest, surest, and most abundant harvests over the years. Taxes yielded little, so public schools were inferior and public health was worse neglected. The private electric companies had developed a fraction of the power resources and sold current mainly to city utilities and other profitable customers, leaving most of the farms in darkness. What the depleted valley needed was energy, but this was running away unharnessed, unheeded, down the creeks, into the streams, out through the river.

The Tennessee Valley Authority, with appropriations from Congress, built sixteen dams in the main river and its tributaries and improved five dams bought from private companies. All of the work was done by the TVA — the government agency — directly, without employing contractors. In the excavations for the dams twenty Empire State



Keystone

PRESIDENT ROOSEVELT INSPECTING TVA CONSTRUCTION

Buildings could have been buried. The material in the dams — concrete, rock fill, earth — was enough to build the seven great pyramids of Egypt twelve times over. The lakes behind the dams cover 175,000 acres. All of the dams, whether for power or reservoirs, are part of the storage and flood-control system. The engineers in telephone communication with all the dams receive reports of rainfall from every area of the drainage basin. Storekeepers, farmers, mountaineers call in. From remotest spots automatic devices report by short-wave radio. Then the floodgates of the dams are operated like stops on an organ, opened to let water out here, closed to hold it back there. The result is no flood damage and maintenance of a navigable channel depth throughout the length of the river.

Holding Soil and Moisture

But the best storage place for water is not behind dams however good, but in the soil. So TVA has taken pains through forestry and better

farming to reserve moisture where it falls. Farmers have been persuaded to terrace the slopes, or where they are steeper to put them in grasses or plant trees. The tree seedlings from TVA nurseries are of many chosen varieties, and besides the purpose of checking the water run-off will later serve for furniture, lumber, fence posts, and give food for man and beast. Alfalfa, vetch, and clover, besides holding the soil, store in it nitrogen taken from the air. Much of the land, however, was too exhausted to grow these crops, so it lay defenseless under the six thousand tons of water that fell on every acre every winter. Therefore, TVA embarked on a fertilizer program. In large areas of the valley are beds of phosphate from the bones of ancient sea creatures. In electric furnaces the phosphate ore was concentrated to four times the strength used previously, permitting a saving in freight and bagging and handling. Mixed with cheap ground limestone this grew the nitrogen-storing legumes, and so the soil received the three indispensable chemicals. Demonstration farms — indeed, whole demonstration areas — were chosen in co-operation with the farmers to use this fertilizer free of charge in accordance with specified plans. The results were astonishing. Crops that killed fertility — cotton, corn, tobacco — were given over for those which kept and increased the nutriment. The associations of farmers which supervised these experiments, once curiosity was awakened and the success of scientific methods was proved, went on to other co-operative enterprises of a hundred sorts. Canneries, creameries, quick-freezing and cold-storage plants were put up by communities.

The most conspicuous co-operatives were those for the distribution of TVA electricity. The hydro and steam generating plants produce more than twelve billion kilowatts of electric energy. Before TVA per capita electricity production in this area was only 60 per cent as great as for the country as a whole instead of, as today, half again the national average. Four hundred kilowatt hours for each inhabitant of the valley have grown to twenty-four hundred kilowatt hours. The production of this current required government initiative and engineering skill, but the magnified use of it demanded ability of the people of the valley to organize for their own benefit. TVA was obliged by the law to make and transmit electricity principally to governmental units — cities and towns — and to co-operatives of consumers. It bought out the private producers in the area, which complained bitterly of TVA competition, but were mollified by settlements which all admit were satisfactory. TVA at once adopted the policy of selling current at low "promotional"

rates in the sound belief that people would take far more electricity if they were able to pay for it and that high use would result in profitable production and distribution. Besides municipalities which bought their distribution systems and clamored for TVA power, large numbers of rural co-operatives were formed for this purpose. In 1944 one in five farms of the region had electricity, as against one in a hundred in Mississippi and one in thirty-six in Georgia ten years before. Electricity on these farms does many kinds of work that called on human energy before if it was done at all: corn is shelled, hay dried, water pumped, wood sawed, fruits and vegetables dehydrated. Current is used generously for cooking, heating water, refrigeration. TVA made credit available for the widespread purchase of electrical equipment of all sorts. The result was the highest sales in the country. The private companies bordering the area reduced their rates also, with similar consequences in brisk demand for appliances, doubled consumption of electricity, and higher profits. Indeed, the whole country observed the lesson of low rates — for rates nationally fell in a decade by a third — largely from force of TVA example.

Long Inland Waterway

In the directions of Congress to TVA, production of electricity was made subordinate to flood control and navigation. By virtue of dams and locks the Tennessee has been given a minimum nine foot channel for the 650 miles between Knoxville at the head of navigation and Paducah, Kentucky, at the mouth. Millions of ton-miles of freight moved in huge river barges increased six or seven times in the decade after river improvement was begun. The cargoes are no longer just cheap bulky raw materials, like stone and clay, but embrace manufactured commodities of many sorts being conveyed long distances. TVA preferred to wait for business men of the area to take the initiative in constructing river freight terminals tied in with railroad and truck traffic, because this democratic method insured active use of the river navigation. Several towns have new busy waterfronts, with mills, grain elevators, and shipyards.

The most striking feature of TVA rehabilitation and promotion has been its completeness. Mineral resources of the region have been explored and their development begun and other potential means of wealth, previously unsuspected, have been brought to light. Public health has been protected by spraying the edges of the lakes from airplanes to kill

larvae of the malarial mosquito. Encouragement of diversified farming, dairying, food preservation and direct instruction, much of it through the people's co-operatives, have advanced nutrition. Families have been moved from hopelessly barren land to better locations where they buy on easy terms small farms equipped with model dwellings and outbuildings, modest but perfect of their kind. New schools with every facility for agricultural and trade training have become centers of numerous community activities. Homes constructed by TVA, beautiful and convenient as well as economical, have been copied by individuals, making the example the most fruitful part of the enterprise. The lakes have been stocked with fish; the commercial catch is large and the recreational feature is as much esteemed. The lakes are used for boating, swimming, and camping. If anybody had said a few years before that Tennessee mountaineers would be holding regattas of outboard motor water-sleds, he would have been thought fanciful or worse.

TVA, the greatest public work in history, so far from damaging private enterprise in the region, has stimulated it by furnishing facilities and knowledge which only government could have made available. Small and varied enterprises privately owned have sprung up in increasing numbers. The light industries and workshops established in five years multiply employment opportunities, diversify skills, and stabilize the economy.

TVA has steadily dealt with labor unions, represented in the Tennessee Valley Trades and Labor Council, and the unions have had full share in determining the prevailing rates for the region which form the standard of wages. There has been no discrimination against Negroes in wages, though unfortunately there has been some discrimination in jobs. All workers are hired directly by the Authority, which also conducts training courses.

A board of three specialists, appointed by the President, administers TVA with its far-flung planning, construction, and operating functions. The board had its bitter internal quarrel between the chairman and his associates before it could settle down to harmonious accomplishment. This was only one problem cited by opponents in the opening years as evidence of the impracticality of the project. Accommodation of local, regional, and national aims presented difficulties which were progressively overcome. Out of the experiment emerged the demonstration that planning for the separate farm, town, county, or state was inferior to embracing in design and execution the whole of a unified area. The TVA has pointed the way to future co-operation of public and private

effort in this country, so that other regional development projects have passed the stage of first proposal.

The TVA is good business for the government, the people of the region, and the people of the nation. The net revenues from power sales alone would pay off the entire investment of more than $700,000,000 in less than sixty years. It would not be good social accounting, however, to expect money repayment for the total outlay from electricity users alone. The return from parts of the project cannot be in dollars directly to the Treasury, but is in improved health, knowledge, efficiency, and more prosperous agriculture, commerce, and industry. TVA pays to counties and states of the region large sums in lieu of taxes.

Much of TVA's plant was employed during the Second World War in making munitions of many kinds. The unique accomplishment was the manufacture of atom bombs at Oak Ridge, Tennessee, where a whole new industrial city for that purpose sprang up overnight. Many will consider that TVA justified its cost in war production alone. Without entering a moral judgment, the economist must remark with what speed this area was brought from a state of conspicuous weakness to an efficiency which enabled it to release the greatest energy known to human history.

In spite of its achievements and excellent features of organization, the TVA leaves something to be desired as a model for public corporations as they may develop in future. This is because it does not have direct representation of labor and consumers in its management. Many consumers' co-operatives distribute TVA power and benefit by TVA services in other fields. TVA deals with organized labor in collective bargaining at intervals. But neither of these approaches permits consumers and labor to be in constant consultation with TVA on over-all policies, or indeed on day-to-day policies affecting labor and consumers. As TVA is a non-profit enterprise constructed with public funds, one hopes that it may take workers on the project and users of the facilities into its central direction in some fashion.

Progressive Abandonment of Neutrality

The New Deal had been struck a body blow by the business recession of 1937–38. Its leaders had exulted that they had brought the country out of the slump, that government could now retire from emergency responsibility, leaving private enterprise to resume its accustomed rôle. Instead, to their chagrin, here was a new decline steeper than any

before, which in a few months sacrificed the toilsome gains of two years. As the collapse seemed to be caused by the premature withdrawal of government spending, this policy must be revived; but the public, alarmed at the growing deficit, was calling for economy. In this situation the administration pursued two courses. Attention was focused on the iniquities of monopoly by a full-dress national inquiry and government spending was shifted as far as possible from relief and recovery objects to military preparedness. The latter had been claiming increasing appropriations, but Hitler's marauding, beginning with the occupation of Czechoslovakia in 1938, now furnished fresh justification. From 1939 our faltering economy was rescued by the war demands of the Allies. We have no means of knowing what the results of domestic policies would have been in the absence of war stimulus.

As it was, our part developed from passive to active participation in the Second World War. Motives of our national policy may not be assessed, if indeed they were conscious and deliberately thought out in advance. With some straining in the early months when attack upon us seemed remote, plans were made to include our own safety. Administration influence was thrown unremittingly in the scale of Allied military might. Executive acts were conspicuous among those which in effect committed the country to belligerency long in advance of our formal involvement. The result, whether in any degree intended for that purpose, was to lift us decisively out of the long depression. We must trace the series of events which ended in the Japanese attack on Pearl Harbor.

In August, 1936, in his second campaign for the presidency, Roosevelt had warned: "If war should break out again in another continent, let us not blink at the fact that we would find thousands of Americans who would be tempted for the sake of fool's gold to break down or evade our neutrality. . . . To resist the clamor of that greed, if war should come, would require the unswerving support of all Americans who love peace." He had all along promised that if old positions proved untenable he would adopt new ones. In abandoning our neutrality he may have been fulfilling this engagement. In a law of 1937, when neutrality was still universally supported here, we had placed an embargo on arms to belligerents. Three weeks after the outbreak of actual war in Europe following Hitler's march into Poland, the President called a special session of Congress to repeal this arms embargo. Notwithstanding our earlier proclamation of "impartial neutrality during the existence of the contest," the Neutrality Act of November 4, 1939, embodied the

"cash and carry" device of getting munitions to the Allies. Belligerents could pay for their war supplies and take them away from our shores in their own ships. Britain's control of the seas meant that our war material would reach only the democracies. Japan was not yet in the World War; we continued to ship to Japan scrap iron and oil which she used in her undeclared war on China. President Roosevelt had assured Congress: "I give you my deep and unalterable conviction, based on years of experience as a worker in the field of international peace, that by the repeal of the embargo the United States will more probably remain at peace than if the war remains as it stands today."

Five months later our fears included the designs of Japan. In April, 1940, Secretary of State Hull declared that a Japanese attack on the Netherlands East Indies "would be prejudicial to the cause of stability, peace, and security in the entire Pacific area." He pointed out that the Indies "produce considerable portions of the world's supplies of . . . essential commodities such as rubber, tin, quinine, copra," on which many countries, including the United States, depended. Not for some time did we take stronger measures to force Japan to heed this caution, though her threat to the East Indies as a source of war supplies was in the end the occasion of our being at war.

Our "defense program" now began frankly to emphasize the wisdom of protecting ourselves by aiding the Allies. In May, 1940, in asking Congress for new military appropriations, President Roosevelt explained that "Defense cannot be static. Defense must grow and change from day to day. Defense must be dynamic and flexible. . . ." This paved the way for his later suggestion that we might have to defend ourselves at a distance of three thousand miles from our own shores.

We had been indulging in unworthy subterfuge which took the nation half-wittingly nearer to open warfare. We furnished government-owned planes to the Allies by turning them back to the manufacturers on new ones, the manufacturers then selling the old to the belligerents of our choice. Nominally, Army and Navy equipment was not transferred to the democracies. In September, 1940, the President took us a further step into the war by exchanging fifty "over-age" destroyers for British air and naval bases scattered from Newfoundland to South America, and told Congress about the deal after it was completed. The same month the President approved our first peacetime military conscription law, requiring registration of all men aged twenty-one to thirty-six for possible selection for a year's military training and service.

Also in September, 1940, Japan signed a military and economic

alliance with Germany and Italy, and protested when we refused to send her more aviation gasoline, machine tools, and scrap, complaining that we did not refuse these to Britain. President Roosevelt continued to call for further armament as "the practical way of fulfilling our hopes for peace and staying out of this war. . . ." In their election campaigns that autumn both he and Wendell L. Willkie, his Republican opponent, promised in the most emphatic fashion that no American boys would be sent to fight beyond our own territory.

"Lend-Lease"

"All-out aid to Britain" became a popular slogan with those who reinforced the appeals of the British Ambassador, Lord Lothian, for more planes, guns, and ships. The President expressed the conviction that Britain stood between us and invasion: ". . . it is important from the selfish viewpoint of American defense that we should do everything to help the British Empire defend itself." Near the end of 1940, he prepared the country to act practically, on an enormous scale, on this logic: "The people of Europe who are defending themselves do not ask us to do their fighting. They ask us for the implements of war . . . which will enable them to fight for their liberty and for our security. . . . You can . . . nail any talk about sending armies to Europe as deliberate untruth. . . . We must be the great arsenal of democracy." He explained that soon the democracies resisting aggression would have no more cash with which to pay us for weapons. The Johnson Act forbade our lending them money with which to make further purchases here.

The result was the Lend-Lease Act of March 11, 1941, to extend aid to countries whose defense was vital to that of the United States. The device was to "lend" or "lease" to them enormous quantities of munitions. Few took seriously the proposal that the borrowers would some day return the supplies or pay us in other goods. War orders, domestic and foreign, had been a powerful tonic to our economy. It now moved forward on the double-quick when we appropriated $7,000,000,000 as a starter for lend-lease.

Peril to us was anticipated at a distance in both the Pacific and Atlantic. Ambassador Grew had warned the State Department from Tokyo that the Japanese admirals were prepared for an attack on Pearl Harbor in Hawaii. We signed an agreement with the Danish Minister to defend Greenland, as this was "essential to the . . . security of the American continent. . . ."

We were put almost in a war posture when the President proclaimed an unlimited national emergency, under which he was to exercise ever greater powers. Germany had knocked France out of the war, overrun Belgium and Holland, occupied Denmark and Norway, and we watched with anxious fascination to see whether she would be able to invade England across the Channel. In spite of her continued inability to span twenty miles of water, the fear was actively promulgated that she would find the Atlantic a slight obstacle to attack upon us if the British fleet were destroyed. "The war is approaching the brink of the Western Hemisphere itself." We began to train British fliers here. When the Soviet Union had made a trade agreement with Germany six months before, we had frozen Russian credits in this country. But now, in June, 1941, Germany invaded Russia, and thenceforth we gave the Soviets all assistance. We sent defense forces to Iceland to release the British garrison and prevent that island from becoming a base for German attack on this country.

Japan came closer into the picture with her military control of French Indo-China. The State Department told Ambassador Nomura that Japan's evident intention to attack the South Sea area made further conversations futile. Roosevelt, however, sought to arrange for neutralization of Indo-China if Japan would promise to evacuate it. Taking no chances, we froze Japanese funds here.

The "Atlantic Charter," jointly signed by President Roosevelt and Prime Minister Churchill of Britain on the deck of one of our battleships, August 14, 1941, declared the purposes of the democracies in the war. In the general approval, few objected that our President included us in the document as the virtual military ally of Britain already. A year earlier we had established a Joint Defense Board with Canada which was of course a belligerent.

Japanese Negotiation and Pearl Harbor

Our relations with Japan moved swiftly toward the clash. On August 27, Premier Konoye invited President Roosevelt to meet him, perhaps in Honolulu, "to discuss from a broad standpoint all important problems between Japan and America covering the entire Pacific area, and to explore the possibility of saving the situation." Japan's peaceful assurances were repeated the next day. After a week President Roosevelt replied that there must be agreement on principles before he could meet the Premier. Japan replied by consenting to the doctrines which

Roosevelt laid down for governing international relations. "The Prime Minister hopes that as a result of the commitments which the Japanese Government is prepared to assume . . . a rational basis has been established for a meeting between the President and himself." We took the precaution of planning with Great Britain mutual aid in case Japan should attack the East Indies. The war came closer in the Atlantic. Following German attack on our destroyer *Greer*, carrying mail to Iceland, the President ordered the Navy to "shoot on sight" German warships in what were termed "defense waters."

Premier Konoye of Japan saw himself being pushed out of power by a purely military clique. On September 23, he repeated his request for a meeting with Roosevelt, which might counteract "the influence of the pro-Axis elements in the Japanese Government" and aid "those elements desiring peaceful relations with the United States." We replied that we wanted from Japan "clear-cut manifestation" that she would withdraw troops from Indo-China.

With Germany there was no proposal of parleys. President Roosevelt demanded the arming of merchant ships to protect against German depredations.

Konoye's government resigned October 16, and promptly General Hideki Tojo took his place with a military cabinet. November 3, Ambassador Grew, from Tokyo, informed our State Department that Japan intended to attack us if the peace talks failed.

After more diplomatic exchanges which got nowhere, we proposed to Japan practically that she get out of the war. Secretary of State Hull denied that this was an ultimatum or an offer which if rejected would be taken by us as a signal for war. The Japanese Ambassador thought further talk useless, as his government would reject these demands. December 6, President Roosevelt appealed to the Japanese Emperor to preserve the peace between the two countries. December 7 came the Japanese attack on our naval base at Pearl Harbor, Hawaii. It was an hour after the attack that the Japanese emissaries gave Secretary Hull the note refusing our terms. The next day we declared a state of war with Japan. December 11, Japan's allies, Germany and Italy, declared war on us and we on them.

The Japanese assault on Pearl Harbor was described at the time as a "sneak attack." Testimony given long afterward, however, by Secretary of War Stimson to the Pearl Harbor congressional inquiry showed that our authorities confidently expected and actually hoped that Japan would open the war between us, though they did not guess the point of attack.

Government Agencies Preparatory to War

The defense agencies of government set up before Pearl Harbor, like those which came later, received their authority, often remotely, from the emergency powers of the President. If we had bred a bureaucracy during the New Deal, war brought a more massive one with unlimited orders, regulations, and "directives." The parent of this proliferating family of boards and administrations was the re-established Council of National Defense composed of six Cabinet members. Its program was approved in May, 1940, and it set about "immediate concentration and utilization of the resources of the Nation." It operated through an Advisory Council with specialists on industrial production, industrial materials, labor, farm products, transportation, price stabilization, and consumer protection. Other fields were added, such as defense purchases, defense housing, and state and local co-operation. Among the subordinate bodies which the Council established were the National Defense Research Committee (which later devised the atomic bomb), the Office for Co-ordination of . . . Relations with the American Republics, Office of Export Control, and the Priorities Board. William S. Knudsen, an automobile manufacturer, was chairman of the important Priorities Board, and Donald M. Nelson, a mail-order executive, was administrator. The device of granting priorities or preferences in accordance with importance to the war effort was increasingly used.

The Office of Emergency Management, established in May, 1940, contained later the Office of Production Management, the best-known division of which was Price Stabilization with a determined administrator, Leon Henderson. Also in the Office of Emergency Management was the Defense Mediation Board, which was to settle labor disputes which threatened to obstruct the defense effort. It later became the National War Labor Board with jurisdiction over wage agreements as well as differences between employers and workers. The Office of Civilian Defense was best known for its air-raid warden service. The Division of Defense Housing was assigned to meet the extraordinary needs where defense workers migrated to new areas of shipyards and airplane plants. The names and groupings of the defense and later the war agencies were constantly being changed. Thus, the Division of Price Stabilization by August, 1941, took on the permanent designation of Office of Price Administration. It began establishing maximum or "ceiling" prices for commodities whose prices threatened to become inflationary, and with general co-operation of the people got better

results than had followed the outbreak of the First World War. The Department of Labor index of the cost of living in large cities (1935–39 = 100), which was 98.6 the month before war began in Europe, rose less than one point in 1940, and was 105.2 at the end of 1941. It registered most of its rise in the next two years, standing at 123.6 at the end of 1943. OPA was not given authority to ration scarce goods until after we actually entered the war. The Office of Civilian Requirements tried to balance consumer needs against the growing demands of the military.

The Office of War Information, as it was finally called, was thought of as charged with the duty of reporting the progress of the war to the people of America, but more of its effort went into propaganda and "psychological warfare" abroad. The Lend-Lease Administration set about its task of making good President Roosevelt's promise that we would be the "arsenal of democracy." The Office of Production Management, which embraced many of these agencies of the "defense" period, was superseded after Pearl Harbor when the War Production Board forged forward as the leading emergency economic organ. It was modeled on plans of Bernard M. Baruch, who had been chairman of the similar body in the First World War.

Billions for Defense

Staggering appropriations were voted in such rapid succession that it was difficult even for the responsible authorities to keep track of the mounting magnitude. These funds could not be spent, of course, as fast as they were docketed. But our exports to the British Empire, which had been at the rate of $1,130,000,000 in the first half of 1939, were at the rate of $2,400,000,000 in the second half of 1940. Between the fiscal year 1940 and the fiscal year 1941, federal expenditures grew from $9,100,000,000 to $12,700,000,000, the net annual deficit from $3,600,000,000 to $5,300,000,000, and spending for defense from $1,600,000,000 to $6,000,000,000. Estimates of about double these amounts in 1942 were rendered entirely conjectural by America's declarations of war against Japan, Germany, and Italy in December of 1941.

The hope of most Americans that if we must have guns we could have butter too had been buoyed by the President's promise that none of the social gains of the New Deal should be sacrificed in the armament program. Those of his advisers in charge of the defense effort who were encouraged to believe that armament costs need not seriously invade

the standard of living counted heavily on the fact that we were below our productive capacity, with between five and six million unemployed in the spring of 1941. The President said:

> We have a choice between restrictive tax measures applied to the present national income and a higher tax yield from increased material income under less restrictive tax measures. I suggest, therefore, a financial policy aimed at collecting progressive taxes out of a higher level of national income. I am opposed to a tax policy which restricts general consumption as long as unused capacity is available and as long as idle labor can be employed.

The added cost of defense might be borne by lifting the national income from $70,000,000,000 to $95,000,000,000 or better. The other ways of providing materials of war without positive sacrifice in the standard of consumption are by a net increase in imports or by diversion of production from relatively unimportant to most important purposes.

Those hoping for maintenance of the standard of living said taxes should fall principally on incomes above three thousand dollars and thus divert what would have been savings and investment to public use; sparing as far as possible incomes under that amount, since taxation of these would subtract from consumption. Such optimistic views were rapidly taking flight in 1941, due partly to the persistence of unemployment but more to the unlimited character of America's armament commitment, especially after our entry as a declared belligerent.

All through modern times in periods of war governments have attempted to hold down prices which strain to rise through inflation and scarcity. This has been for the sake of economy in government purchasing, for protection of the civil population, and to prevent discredit of the currency. This responsibility of government has seemed more emphatic since its control in a war economy has become dominant. As we have seen, the First World War afforded lessons in method. Priorities are an indirect means of price control. Priorities are certain to involve work for price administrators, because when materials are taken for war uses, what remains for ordinary consumption acquires a scarcity value.

The order of administrative action, where there was scarcity, was first to try to induce fuller production, then to conserve by giving priority to imperative needs, and not to set prices until other methods failed. In the beginning priorities were voluntary, as in a slight restriction of output of automobiles. By March, 1941, the government used mandatory priorities, especially in aluminum, magnesium, and nickel. By June this had been extended in some form to thirty materials, mostly

metals. To the middle of 1941, price control was employed in a limited field only. The head of this agency believed that he did not have authority to set a "ceiling" on prices generally, and that if he had this power it could not be effective unless wages and agricultural prices were included in the control. Opposed to this were farmers and workers, with strong political support. Hesitation was further increased by controversy over whether the "bulk-line" fixed price should be used, as in the First World War — that is, one "reasonable" price for a material or a classification high enough to compensate most producers — or whether government could not save money by setting lower prices for supplies from low-cost producers. Priorities operated to close numbers of plants which could not be converted to war manufacture by taking their raw material, and this caused unemployment, sometimes of whole towns.

Delusive Remedy for Depression

New defense plants (3500 of them by October, 1941), built with or without government financing, were naturally erected in industrial areas where there was power, transportation, and surplus labor. The Middle Atlantic states had about a third of these plants, the New England states and the Pacific Coast each half as many, while the South got fewer than its industrial position would warrant. Housing of defense workers soon became a problem, and was only partially solved by emergency government housing projects. Placement of war orders gave striking evidence of the progress of large scale production and concentration of industrial control. It was said in Congress that the bulk of $12,000,000,000 of defense orders went to hardly more than one hundred manufacturing firms; from one fifth to one fourth went to two groups of companies of interconnected ownership. Small and scattered manufacturers protested, and efforts were made to distribute orders so as to include more independent and smaller plants, partly by requiring that big producers let out some of their orders on subcontract, but the difficulty of combining this policy with speed and economy was pronounced.

A Brookings Institution study of the effects of the defense program showed that between July, 1940, and June, 1941, profits in manufacturing rose some 16 per cent, average weekly earnings of labor some 26 per cent, and that, for the full year 1941, an increase in cash income of farmers of about 18 per cent was to be expected. Since from June, 1940, to July, 1941, the cost of living rose less than 5 per cent, real wages of manufacturing workers rose by at least a fifth. Other workers did

not share in this gain or were positively injured by the rising cost of living and increased taxation, such being the unorganized, those in retailing, government employees, and those in clerical and professional occupations. There was complaint that government policy of lifting the farmers' purchasing power to the old parity (it was at about 85 per cent of it at the end of this period) was pushing up the cost of living and increasing costs of manufacturing by adding to prices of raw material and necessitating wage advances. Food prices rose more than any others of major items in the cost of living (8.5 per cent in the year ending July, 1941, and 14 per cent in two years), while farm products topped the list of rises in wholesale prices of principal commodities (nearly 34 per cent for the one year, more than 45 per cent for two years).

All in all, while the defense program affected different interests and parts of the population in different ways, it was again evident that war production, with its accompaniments, temporarily puts an end to depression.

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Chapter 36

Economy of the Second World War

THE SECOND WORLD WAR converted depression in the United States into economic activity of increasing intensity. Certainly the cure, if the war be regarded in this light, was worse than the disease. It was commonly agreed that the two world wars were one. The period between was filled with nearly constant armed conflict — the struggle of Allies and Ally-supported "Whites" against Bolsheviks in Russia, during 1918–20; the invasion of Manchuria by the Japanese in 1931 followed by invasion of China proper six years later; Italy's seizure of helpless Ethiopia in 1935; the "civil war" in Spain in 1936, in which the strength of the internal contenders was overshadowed by the participation of Germany and Italy on the one hand and Russia on the other. This sequence omits lesser fighting in the Balkans and South America, and seizure by Germany of Czechoslovakia, Austria, and part of Lithuania.

These interim wars occurred against a background of world depression which led everywhere except in Scandinavia to efforts of each country to secure its economic self-sufficiency by means which defeated world unity. The League of Nations, in all probability weakened by absence of the United States, crumbled politically and was ineffective in even its most intelligent and elaborate economic efforts. We may say that the heritage of the First World War was responsible for the rise of Hitler in Germany. National humiliation, inflation, reparations, credit collapse, and unemployment led to extravagant patriotism, depletion of the stable middle class, race hatred, autarchy, and armament. This course of events, leading to a belligerent Germany, might have been stayed had not the rulers of Great Britain looked upon Hitler as a potential ally against the spread of communism from the Soviet Union. Disillusionment came, late and complete, with announcement of an economic alliance between Germany and Russia in August, 1939.

Whatever the causes of the Second World War, it was a dreadful rescue for this country from the depression which began a decade earlier. In this period a succession of expedients had been tried in vain. Hoover, with experience and by force of events, modified his policies both international and domestic. Beginning with the calamitous Hawley-Smoot high tariff of 1930, he went on to the credit moratorium of 1931 and when he left office was actively preparing for the World Monetary and Economic Conference of 1933. Similarly, beginning with taboos on governmental intervention to lessen and correct the depression at home, his trust in "rugged individualism" steadily succumbed to the need of public support for industry, railroads, finance, farmers, and the unemployed. Though Hoover's measures grew in scope and variety, they were still belated and so timid as to be uneconomical. He and his friends thought otherwise, declaring that improvement in all the indexes was marked after the low point of the depression in the summer of 1932, and that only Roosevelt's election and the fears of inflation which he raised were responsible for the down-turn in the last months of Hoover's administration. This is something which may be argued but not proved.

Roosevelt substantially reversed Hoover's policy of international collaboration, destroying the World Economic Conference with notice that we would manipulate the value of money with a view to lifting price levels in order to achieve recovery in this country. Soon, however, the high Hoover tariff began to be selectively reduced by the reciprocal trade agreements. The domestic program adopted and enlarged many of the Hoover plans, invented others, and succeeded in inspiring the country with a confidence, or at least a hope, which made the New Deal more than a name. The boldness of the experiments, held to be justified only by the emergency, prompted the President to assure that he would abandon or alter them as developments dictated. He held to this promise, both in particular matters and in general economic policy. Business collusion was actively encouraged in the NRA, then was scolded and prosecuted. Relief was made relatively indiscriminate in the Civil Works Administration, then was cut off in the false hope that regular jobs would substitute, and then was expanded beyond earlier efforts, only to be reduced again. Determined attempts to lift prices through "spend-lend" were followed by the conviction that lower prices would serve better. Business improvement, especially in the first half of 1937, led to premature withdrawal of government stimulation with the result that "recession" brought back abandoned policies and called up some new ones.

The recession, for all that it was minimized in official apologies, hurt the prestige of the New Deal. The New Deal was in good part psychological; reaction made the first elation seem artificial, and thus not only were gains turned into losses, but underlying trust was shaken. Novelty no longer made its old appeal, but aroused suspicion. The acid test of success of all the efforts of government was ability to restore the unemployed to jobs, and here the record continued to be disappointing. The New Deal had stirred and warmed and cooled in the attempt to put millions of workers back into economic solution, as it were, but in spite of all, in the autumn of 1939, after six and a half years of trying, the solid deposit of ten million unemployed remained, the tragic symbol of failure, a living reproach. Some who had been prophets of the New Deal said that our society must simply resign itself to carrying that burden. This was confessing that the economy was glaringly inefficient, aside from cruelty to the unemployed who did not want to be carried by others. As Hoover had minimized the numbers of the unemployed, so now Roosevelt continued to do so, declining responsibility to find jobs for several millions whom he designated as "unemployable." [1]

The chief expedient which the New Deal proposed in the apparent stalemate was repetition of old attacks on monopolies as the economic villains. The way was prepared for this in elaborate hearings of the Temporary National Economic Committee, which found a concentration of control in American business and finance said to be vastly alarming. All of the skulduggery by which this had been accomplished was paraded. International monopolies (cartels) were mentioned in horrified tones, making the menace blacker. But this was not a very good dodge. In the first place, it was negative, not positive; it proposed undoing instead of doing. Further, the New Deal had compounded felonies with the monopolies when it suited official policy; the New Deal was indicting itself. Besides, "destroy monopoly" was an old cry, pretty much discredited because that had been tried over and over, the only result being that business consolidation continued at increasing pace. People had come to wonder whether such a persistent tendency was not inevitable, perhaps even desirable. Lastly, supposing monopoly was wiped out, there was grave question whether the prevailing economic system with competition restored could guarantee full employment.

[1] That category, in the intense activity of the war period, was proved to be political rather than economic, for the "unemployable" dwindled and vanished, and the labor force was enlarged beyond anything known before by the addition of millions of women, old people, and children.

War Ended Depression

This was the frustrated situation when Hitler marched into Warsaw. The American people, with mixed feelings, followed the President and Congress in the series of actions which made us in fact a belligerent long before we declared war after the attack on Pearl Harbor. Such steps, as we saw in the last chapter, were the repeal of neutrality laws, "cash and carry," the vastly more generous arrangement of lend-lease, exchange with Britain of fifty destroyers for naval bases, promulgation of the Atlantic Charter, armed forces sent to Greenland, Iceland, and Guiana, and the cutting-off of supplies of oil and scrap to Japan when her invasion of Indo-China threatened our sources of rubber and tin in Malaya and Dutch East Indies. All of these actions except the last, plus the "defense" program, enormously increased American production, turning depression into mounting prosperity.

The American people, until the attack on Pearl Harbor, were reluctant to go to war. Whether the administration was similarly reluctant seemed doubtful. In any event, nothing served to get us out of the depression, or offered prospect of doing so, until war and our progressive participation in it came along.

We shall sketch the main economic developments of the years 1940 on into 1947, embracing the periods of preparation, war, and reconversion. It became more than ever difficult to distinguish between economic, political, moral, and a variety of other forces at work in the society. Each reacted on the others. Thus, exhortation to increase war production went along with the placing of prodigious war orders, subsidies to owners and enterprisers, the opening of millions of new jobs, and increase of wages.

Whatever the blend of forces at work, the dominant rôle of the federal government was obvious. Soon after we entered the war, half the total goods and services produced were in response to government orders directly, and more than half indirectly. Production of war goods involved much more than mere government purchase; it ran all the way from government production in its own plants (some $16,000,000,000 worth were built), down through various degrees of subsidy. In the beginning private industry, which later boasted of its accomplishments, was reluctant or unwilling to enter on war production until it received guarantees and helps of many sorts. Agricultural output was spurred by the lift of parity ceilings and generous government subsidies. Great sectors of production went over to government war work exclusively;

such were shipyards, steel mills, aluminum plants, copper mines and smelters.

Not only did government become the creator in more than half the economy, but the controller of virtually all of it. Control was necessarily the counterpart of creation if government's needs were to be met in an orderly way without diversion, waste, runaway prices and costs, and hardships to masses of consumers. Control was extended over shipping, transportation, raw materials, forms of production, prices, credit, rents, wages, hours of work, consumption, and disposition of manpower. Much of the war control, as over basic raw materials and shipping, was in fact international among the Allied Powers.

The most striking economic result of the war was the increase in the physical volume of production, which advanced almost two and a half times. The adjusted index (1935–39 = 100) rose to a peak of 247 in October, 1943, after which there was a decline, with reduction of war orders, to 234 a year later. Of course, the increase in durable manufactures — iron and steel and other metals, machinery, transportation equipment — was greatest, rising to a maximum of 376 in November, 1943, and standing at 342 a year later. Transportation equipment — automobiles, aircraft, railroad cars and locomotives, shipbuilding — had the largest expansion of any group of products, to a maximum of 786, or nearly eight times prewar. The automobile industry exhibited the highest degree of transformation to war demands. In 1944, two thirds of the shipments from prewar plants were of products not manufactured at all in 1939, chiefly aircraft, combat vehicles and tanks, guns and ammunition; in addition, half the industry's total output in 1944 was in new plants, built during the war, which turned out only war goods. Shipments of the industry, old and new plants, rose 235 per cent above 1939, or from $4,000,000,000 to $17,000,000,000.

Non-durable manufactures, embracing textiles, leather goods, food, tobacco, liquor, paper, petroleum products, and chemicals increased to a peak of only 180, as compared with 376 for durable manufactures, in spite of the fact that "non-durable" included much for war use, such as food, gasoline, explosives and ammunition. Explosives and ammunition were not reported separately, but the chemical group rose to a maximum of 397 in October, 1943. At the end of 1943, the gross national product, at current prices, was $191,700,000,000, of which government war expenditures accounted for $84,000,000,000, leaving for government and private non-war expenditures $107,700,000,000.

The volume of agricultural production reached an all-time high in

1942, being 16 per cent above that of 1939. Production of minerals in June, 1944, was 47 per cent above the 1935–39 average. Carloadings increased in the same period by 44 per cent. Construction expenditures rose from $1,305,000,000 in the first quarter of 1940 to a peak of $4,351,000,000 in the third quarter of 1942, and thereafter declined, by the first quarter of 1944, to $993,000,000, or three fourths of what they had been. Public construction expenditures steadily exceeded private after the first quarter of 1942; this was the period of building, on public account, of shipyards, factories, cantonments, housing for war workers, while after the summer of 1942 private construction dropped off significantly, mainly because of severe restrictions imposed.

Government-Owned War Plants

A most direct form of government participation in the war economy was in the spending of some $16,000,000,000 of public money on construction of war plants. This was done by the Reconstruction Finance Corporation through its subsidiary, the Defense Plants Corporation. Most of these new plants were leased to private management, but important ones were operated by the government. Thus probably at least one fifth of the nation's total manufacturing capacity was built and owned by the government. This was in kind and character an unprecedented addition to the "public domain." Moreover, these plants were the newest and most efficient of all, though a few, for security reasons, were not well located for later peacetime use.

The government owned 90 per cent or more of the facilities for producing synthetic rubber, aircraft, magnesium, and ships; 70 per cent of aluminum capacity (constructed after private monopolies had refused to expand); 50 per cent of capacity to build machine tools; and smaller percentages of capacity in steel, high octane gasoline, smelting of tin and other ores, and heavy chemical works. The government spent $180,000,000 for construction of 3800 miles of pipe lines to move oil — the so-called "Big Inch" and "Little Inch." Government contributed almost five sixths of new plant construction during the war; private enterprise, mainly by way of conversion, little more than one sixth. Government, in acquiring extensive plant sites and mineral reserves, added eight million acres of good farms to its already large ownership of land. Besides, when the war ended, the government owned some sixty billion dollars' worth of raw materials and finished goods of every imaginable sort scattered all over the world.

The pleas of some that this great publicly owned capacity and mass of goods, most of it convertible to peacetime uses, should continue under government control in order to contribute to planning and plenty were largely disregarded. Legislation for disposal of "surplus" property resulted in putting it up for sale to private purchasers, with, however, provisions favoring states and municipalities, veterans, and protecting small producers and merchants.

The unused productive capacity of this country had long been remarked before the Second World War. Limping of the economy in periods of business depression was painfully self-evident. But at times of greatest activity we always had idle equipment, resources, and manpower. Poor planning resulted in waste on one hand and want on the other. Even when we were nominally employing our facilities we did not reach "full production" as demonstrated during the war because our national powers of invention and efficiency were only partially called out. War supplied the consuming purpose and wholehearted striving for co-ordination of effort which, to the surprise of the optimistic, doubled the national product from a hundred billion dollars in the second half of 1940, when the defense program began, to two hundred billions at the end of 1944.

Effects of War on Consumers

In spite of concentration on war production, output of civilian goods and services was maintained at prewar level; the war accomplishment was placed on top of what had previously been our entire production.

While consumers received on the whole what they had had in peacetime, there were necessarily shortages of some goods and services. Meats, fats, gasoline, and automobile tires figured highest among consumers' unsatisfied demands, while services of trained nurses, salespeople, waiters, laundries, and domestics were curtailed for different reasons — usually low wages.

But the official index of the cost of living in large cities rose during the Second World War much less than in the first. At the armistice of the First World War, the index (July 1914 = 100) had risen to 162. This was after nineteen months of our participation in the war. In the Second World War, by the time of victory over Japan, the index (August 1939 = 100) rose to approximately 133. This was after twice as long a period of actual participation in the war. In the case of the First

World War, half the increase in the cost of living after our entrance followed the armistice. In the case of the Second World War, the first months of peace showed a slight decline in the cost of living.

In the Second World War, the government was forewarned by the previous bad experience and successfully took measures to counteract the excess of purchasing power as compared with available consumer goods. This excess was called the "inflationary gap." Methods for reducing the "inflationary gap" were increase in taxes, particularly income taxes which were levied for the first time on low-income groups; sales of war bonds to masses of the population in low denominations; and curtailment of most installment buying. Equally important, the prices of practically all consumer goods and rents were controlled directly by the OPA, and indirectly by effective restraint of wages, salaries, and profits. To secure a fair distribution of consumers' essentials, meats, fats, oils, sugar, canned goods, shoes, gasoline, and tires were rationed. In the absence of rationing, those with higher income would have bought more than their share of these necessities. Also, in order to increase production of needed agricultural products, the government paid subsidies to farmers, and the same was done in the case of high-cost producers of certain most important raw materials. Curiously, however, the government continued to pay farmers for restricting production of some products during the whole period that rationing of these goods was in effect. The rise in the cost of living would have been further restrained had not the farmers been able to secure, during the war, legislation guaranteeing them not only the parity for which they had long striven, but an increase above parity.

Major items in the cost-of-living index rose during the war by different percentages. Rents rose least — by only about 3 per cent — with gas and electricity next, about 12 per cent. Clothing rose most, about 46 per cent, and house furnishings by slightly less. Food rose about 42 per cent. There was no rationing of clothing; but loud complaints against the disappearance of low-cost garments, particularly children's and work clothing, led to special efforts of the Office of Price Administration and the War Production Board to channel sufficient fabrics into production of these articles.

The index of wholesale prices rose more than the official index of the cost of living, reaching its maximum in June, 1945, when it was 41 per cent above that of August, 1939. The greatest rise was in raw materials, especially farm products and building materials.

Farm parity — or the ratio of prices received by farmers to prices

paid by them, including interest and taxes — climbed to a maximum of 119 in the summer of 1945 (1910–14 average = 100). The net income of farmers, thanks to increased war production with increased efficiency, was far more than double the prewar average and higher than in any year before 1943, including the best years immediately following the First World War. In 1945 the Commodity Credit Corporation was practically guaranteeing farmers against any serious loss, giving price support at not less than 90 per cent of parity for between two thirds and three fourths of all agricultural products. However, most farm prices were at or near ceilings rather than at support levels. The prices of farm products would have been high in any case because of military needs and of demand of the home population fully employed at good wages. In addition, in the last two years of the war lend-lease shipments and commercial exports of food more than took up any possible slack, amounting as they did to 8 per cent of total food sales; the value of exports was above two billion dollars, 80 per cent of it shipped under lend-lease.

With the return of peace, farmers, from a combination of causes, faced a decline of 10 or 15 per cent in net income. In spite of the drastic needs of a hungry world which must look principally to the United States, the Department of Agriculture, reverting to habit, proposed "adjustments" in crop production intended to avoid "surpluses" of such foodstuffs as cereals, eggs, butter and fats, citrus fruit, beans, and potatoes.

The increase in production was accomplished in spite of a reduction of almost a million in the civilian labor force, and, moreover, the substitution of youths and older persons for those most fit who were taken for the armed forces. However, some seven million in the civilian labor force who were unemployed in the spring of 1940, before the national defense program began, were given work in industry or the armed forces. The number of persons employed in civilian jobs and armed forces increased between 1940 and 1945 by about 16,000,000; of this number 7,000,000 were the mopping-up of unemployment, and 9,000,000 were the net increase in total labor force. The labor force would have been expected to increase by only 2,500,000; the extra gain of 6,500,000 was made up of students, housewives, retired workers, those who never worked, and those previously considered unemployable.

At the end of June, 1944, there were 11,625,000 persons in the armed forces, an expansion of 9,500,000 since Pearl Harbor; two thirds were in the Army, one third in the Navy. Already 1,600,000 had been sep-

arated from the armed forces by discharge, capture, or death. In the first nine months of 1944, some 400,000 veterans of the war were found jobs in civilian industry, in addition to others who placed themselves.

Increase of Productivity

In September, 1944, unemployment was reported at 780,000, which was a bare minimum accounted for by "friction" of workers moving from one job to another. Really, however, unemployment in the economy was far greater than this. If we subtract from the numbers in the armed forces the 6,500,000 "extras" drawn into civilian labor, who would not be working if the fighters were at home, we have more than 5,000,000 in Army and Navy who must be called unemployed; they produced nothing, consumed much, and in fact were engaged in destruction. If to these we add the greater number producing food, transportation, equipment, and munitions for the armed forces, and working in government war agencies, we get an idea of what may be considered the true volume of unemployment by peacetime standards.

While actual civilian employment increased during the war years 1940–44 by about 6,000,000, the physical volume of industrial production, as we have seen, rose about two and a half times. Thus there was a marked increase in productivity. The chief causes, besides full employment, were mounting mechanization, longer hours, and improved skill, the last resulting in part from steady production itself and in part from better industrial engineering practices. In agriculture, where output per worker increased between 1939 and 1943 by about 20 per cent, the causes, in addition to those mentioned for industry, were improvements in land use, production of superior varieties of crops and livestock, and more effective pest control. The greatest increase in output per farm worker, 61 per cent, was in the small-grain area (Kansas, Montana, Nebraska, the Dakotas).

Average hours per week of wage-earners increased between 1939 and May, 1944, in manufacturing from 37.7 to 45.3, in bituminous-coal mining from 27.1 to 43.8, and in private building construction from 32.4 to 40.4. Hours remained about the same for the year following. Of the increase of 6,700,000 beyond expectations in the nation's labor force in the years 1940–44, some 1,730,000 were from the age group fourteen to seventeen years; of these 1,090,000 were boys and 640,000 girls.

The war demands reversed the trend toward decreasing employment

of children. Whereas in April, 1940, there were 872,000 young workers fourteen through seventeen (209,000 in the fourteen- to fifteen-year group), four years later there were more than 2,900,000 under eighteen, with 850,000 in the fourteen- to fifteen-year group. In July, when farm work was at its height, the total number of child workers was about 5,000,000 in both 1943 and 1944. The figures do not take account of working children under fourteen, who are not officially listed. About half the young workers fourteen to seventeen had left school and were working full time, a majority more than forty hours a week. The others were still in school but worked part time. The child-labor laws of fifteen states and the child-labor provisions of the Fair Labor Standards Act of 1938 set sixteen as the minimum working age. The percentage of children in high school increased until 1940. In the four years 1940–44, the number of fourteen- to fifteen-year-old workers increased four times, of sixteen- to seventeen-year-old workers three times, while pupils in high school fell 14 per cent. Of those not attending school, three fifths of the fourteen- to fifteen-year group worked over forty hours a week, or longer than the maximum indicated in state and federal laws and regulations; a third worked more than forty-eight hours a week. Of the sixteen- and seventeen-year-olds, a fourth worked more than forty-eight hours. Enforcement of the laws was relaxed in the war emergency, so as to let children work the prevailing hours of adults.

Nine tenths of the young workers were in agriculture, trade, manufacturing, and personal and domestic service. A specially harmful result of wartime work of children was the difficulty, clearly foreseen, of persuading sixteen- to seventeen-year-olds to leave the labor market and return to school.

Women furnished the largest addition to the wartime labor force. More than half of the new entrants came from home housework, a third had been in school. Women constituted almost a fourth of the labor force before Pearl Harbor, but in a little more than two years thereafter the number of employed women increased by 36.4 per cent. Just before Pearl Harbor the number of women employed was 12,090,000; by March, 1944, this number had grown to 16,480,000, but the total number of new women workers, including those who had taken the places of women who had left the labor force, was greater, 6,650,000.

Manufacturing and clerical jobs attracted the largest numbers of women during the war, the former adding 2,500,000 and the latter 2,000,000. Major war manufacturing — metal, chemical, and rubber industries — got half its workers from outside the regular labor force,

and a fourth by shifts from other kinds of jobs. The consumer industries, supplying both civilians and military with such essentials as food, clothing, textiles, and leather, drew on the home and school for more than a third of their workers. Of the housewives who became war workers, some 40 per cent went into the essential industries. The industries engaged almost entirely in war production increased their employment of women by 2,210,000, or nearly 463 per cent. All sorts of occupations were magnets for women workers during the war; in descending order of increase the chief ones were government employ, mining, construction, transportation, communication, public utilities, trade, agriculture, business, and professions. Domestic and personal services, affording less chance of high wages and making less appeal to patriotism, showed a net loss in women workers during the war.

Additions to Labor Force

Chief recruitment was among married women, who increased in the labor force during the war by 75 per cent as against 32 per cent for single women; one reason for this was that the proportion of married women in the whole population increased by 8 or 9 per cent during the war. In the labor force married women for the first time exceeded single women. More than a fourth of the married women employed had husbands absent; nearly 8 per cent had husbands in the armed forces.

The war produced pronounced shifts in population. While the total population increased between 1940 and 1943 by 5,600,000, the armed forces drew off 9,600,000, making a net reduction in the civilian population of 4,000,000. Roughly half the states gained in total population 6,500,000, while the other half lost 900,000. The wholesale enforced removal of Americans of Japanese ancestry from the Pacific Coast was a population shift which, aside from its disputed legality, caused more problems than it solved. Though both groups of states lost in civilian population, the states with much war production — ships, munitions, aircraft, and minerals — were relative gainers. Whole new cities sprang up, composed of migrants who had come for ship, steel, airplane, and atomic bomb construction. The treks of war workers raised problems which demanded congressional inquiry, while emergency housing of new arrivals led to government provision of homes ranging from trailers to semi-permanent communities.

Between 1939 and 1944, employment in aircraft and aircraft parts

factories increased nearly 2000 per cent, and in shipbuilding somewhat less. All manufacturing employment increased 69 per cent, that in machinery more than the average, and in food processing and lumber less than the average. Textiles, though a war necessity, actually lost slightly in employment, because of relatively low wages traditional in the industry.

Wartime migration of workers made different parts of the country better known to larger numbers of people, and promised results, first or last, in reducing local economic and social differences and emphasizing the relative importance of the national authority. For one thing, the numbers employed in the federal executive service increased from 1,000,000 at the beginning of 1940 to a peak of 3,660,000 at the end of 1944, the War Department having almost half the total. This was in addition, of course, to millions employed in plants which the federal government owned or owned and operated.

The remarkable record in war production owed something to labor-management committees which undertook to increase output by sharing suggestions for improved efficiency. Such committees of management and workers were not new, but received impetus from the chairman of the War Production Board in the spring of 1942. Six months later 3,500,000 workers were represented in the plan; by October, 1944, more than 5000 committees with 50,000 members represented 8,000,000 workers in munitions plants, factories, mills, mines, shipyards, and lumber camps producing materials of war. Most of the plants having the committees reported increased production and collateral benefits in improved industrial relations. Later, in the reconversion period, industrialists expressed fears that unions intended to invade managerial functions. It is significant that experience with labor-management production committees showed almost no tendency in this direction.

President Roosevelt repeatedly urged passage of a "general service act" which would draft workers for war production just as men were drafted for the armed forces, but the country did not consider this necessary. The War Manpower Commission, however, "froze" war workers in their jobs, putting effective obstacles in the way of transfer to non-war work or to other war work at higher wages. As manpower shortages became more acute, military draft deferments were denied to those who did not enter war work, and war workers who struck on the job were threatened with immediate military induction. Moreover, the Manpower Commission for a time, in certain shortage areas of New Jersey and New England, used a system of direct assignment of workers to critical war production, with or without the workers' consent.

Successful Financing of the War

The problem of public finance in the Second World War was greater than in the First World War because of the greater magnitude of the struggle, our longer and wider participation, and greater aids extended to our allies. There was correspondingly more danger of injurious results on our own economy. But the huge enterprise was carried through with better success. Partly because of fiscal skill, partly because of the help of other controls, nothing like the earlier inflation was induced. Government interest rates were held to a surprising minimum for emergency borrowing, less than half on the average of what they had been during the First World War. A larger percentage of government funds was raised from taxation. The mass of small investors in war bonds were better protected against loss resulting from fall in market value of bonds following drives.

Several circumstances favored this satisfactory history. A far larger proportion of the economy had passed under government control, leaving, consequently, less leeway for excitement and vagaries of private financing. Some of the chief public borrowing agencies, like the Reconstruction Finance Corporation, were also lending agencies and exercised administrative control over the funds they made available. We, and the whole world, were off the gold standard, which simplified monetary management; this would have rendered bad practice more dangerous, but facilitated wise policy. We profited by past experience; we frankly acknowledged from the first that "lend-lease" assistance to our allies, which amounted to a total of some $36,000,000,000, was a gift except for relatively small cancelling aids from them. We were not involved in the financial and trade difficulties resulting from the pretense that these were loans on which interest and principal were later to be collected. It is to be said that these methods had their penalty in unprecedented public deficit, but the deficit caused less alarm than previously for several reasons, chiefly the new demonstration of the productivity of our economy and acceptance of the larger rôle to be played by government in peace as well as in war. Deficit financing — that is, conduct of government operations by increase of long-term debt — had been condoned in most quarters during the great depression, but experience of the war years was necessary to raise up a body of firm defenders of this practice. Those who had been horrified at a gross peacetime federal debt of $40,000,000,000, though it had been increased largely to support the starving and to construct useful public works, fell silent as the war-

time debt rose by August, 1945, to more than $263,000,000,000, and many were prepared to see the total deficit reach $300,000,000,000 before the money costs of the war were liquidated.

The Treasury strove, with measurable success, to lessen inflationary effects by broadening the tax base, mainly of individual and corporate income taxes; to borrow as far as possible from personal and business savings; and, while large recourse must be had to commercial banks, to keep these banks liquid by borrowing from them on relatively short-term securities. Vast new classes of income receivers were brought under the income tax, which amounted for the poorest to 20 per cent; being withheld by employers, this was currently paid and thus was rendered as painless as any heavy tax can well be. Corporate and excess profits taxes were steeper than ever before, though not steep enough to prevent surprising net returns to business.

Efforts to Minimize Inflation

Savings bonds, chiefly of twenty-five dollar denomination, intended to absorb current income which otherwise would have threatened to raise commodity prices, were sold widely, not only during bond drives, but continuously on the payroll-deduction plan. The small investors were given every incentive to hold these bonds until maturity date, and the redemptions were in fact less than 5 per cent of total purchases. The organized payroll-deduction for savings bonds rapidly came to be almost universal. For instance, nearly 27,000,000 persons were participating in the plans in the fiscal year 1943; of firms with 500 or more employees, more than 99 per cent were embraced, and 95 per cent of those with 100 to 500 employees. Those employed by these firms represented 85 per cent of total employees of business and industry in the country. Deductions were 9 per cent of actual pay of participants, an average of fifteen dollars a month or one twenty-five-dollar bond every five weeks for each purchaser. In fact, the plan was so general and was in so many cases semi-coercive that the bond deductions came to be regarded for the time being almost like taxes.

Federal expenditures for war purposes rose from $1,700,000,000 in the fiscal year 1940, which was the last fiscal year before the beginning of the defense program, to $89,700,000,000 in the fiscal year 1944. Net receipts of the federal government advanced in this period from $5,400,000,000 to $44,100,000,000. Both expenditures and receipts were estimated to be about the same for the fiscal year 1945. The government

did not receive in taxes, sales, and so on, nearly as much as it spent. The excess of expenditures over receipts was $51,100,000,000 in 1944, was expected to be a little higher for 1945, and had been as high as $57,400,000,000 in 1943 at the peak of war production. In 1943 federal deficit spending amounted to one third of the total national product.

The Treasury calculated the amount of the public debt which resulted in an increase in commercial bank deposits or currency in the hands of the public — that is, the inflationary potential of the deficit financing. This grew from $1,700,000,000 in 1940 to $24,800,000,000 in 1943 and dropped off to $13,200,000,000 in 1944. At the highest this explosive part of the debt amounted to 14 per cent of the total national product. The Treasury found that, fortunately, not all the increase in debt absorbed by the banking system contributed to inflationary pressure. Increase in currency and bank deposits was required by doubling the nation's production. Furthermore, bank deposits, personal and corporate, were in surprising measure held as savings for future prudent use. Most of the personal savings were in the hands of larger income receivers, and were thus not likely to be spent rashly for consumer goods.

Much of the financing of the war was done by the Treasury through government corporations and lending agencies, the funds of which, since before we entered the war, had been supplied entirely by the Treasury. The chief of these government corporations, which under war stress became the parent of many more, was the Reconstruction Finance Corporation. It had been increasingly important from its beginning back in 1932 as a depression cushioner, but the war gave it an unexpected proliferation until it was the greatest business organization in the world, with outstanding loans of nearly $10,000,000,000, of which more than $8,000,000,000 was for national defense. When business enterprisers boasted of America's war production, it was often without recognition of the ubiquitous and ample stimulation and assistance rendered by the RFC and its many subordinate agencies. The RFC became the chief industrial and commercial agent of the government at war, accepting and discharging multiplying responsibilities as speedily as those were imposed.

War Profits

Corporate profits rose to the greatest heights in our history. As calculated both before payment of taxes and after taxes, they increased with each war year through 1944; profits fell off with the cutbacks in military

orders at the end of fighting, but, thanks to the lifting of excess profits taxes and other favorable treatment, the net gains of corporations promised to be larger than ever in the first full year of peace. Naturally, the greatest profit increases accrued to those corporations making munitions and other war supplies and equipment, but as the effects of war demand made themselves felt all business shared in the benefits. While government was obliged, in order to prevent monopolization of war production by the largest enterprises, to set up a Smaller War Plants Corporation to protect small scale industry, it is notable that percentage gains in profits, both before and after taxes, were in inverse ratio to the capitalization of the company; that is, the smallest had the highest percentage increase, the medium-sized next, the large next, and the giant industrial corporations had the least percentage gain, partly because the full capacity of huge industrial enterprises had not been fully used earlier.

Government reported that 1743 large industrial corporations, making both war products and consumers' goods, had an increase in profits before income taxes from $2,721,983,000 as the 1936–39 average to $8,647,929,000 in 1944, or a gain of 217.7 per cent. After taxes the increase was from $2,254,205,000 to $3,416,766,000 or 51.6 per cent. In manufacturing, and particularly in the manufacture of durables, the gains were greater, 286.3 per cent before taxes and 59.2 per cent after taxes. In the most favored lines profits were astonishing; for example, in fabricated structural metal products the increase in profits before taxes was 4298 per cent and after taxes 1677 per cent.

Broadly, it may be said that industry in four war years made fourteen years of normal peacetime profits. With swelling reserves, working capital about doubled. Moreover, industry was practically guaranteed against losses for two years after the war; more than $2,250,000,000 was piled up in war taxes which the government would refund to enterprises encountering a drop below their prewar earnings. The corporate excess profits tax was lifted January 1, 1946.

The large corporate profits were even larger if we include unknown amounts for unjustifiable "expenses" of the corporations designed to avoid payment of excess profits taxes. Such were overliberal depreciation allowances, consolidations with less profitable businesses, and particularly wartime advertising of products which would have sold without it or were not available for sale at all. Probably corporations subject to high excess profits taxes spent, of their own money, less than twenty cents on the dollar of advertising, the remainder coming out of

what would otherwise have gone to the government. The dollar volume of advertising in national magazines increased, 1942 to 1943, by 31 per cent to a total of nearly $250,000,000. In the same period four large radio networks received $150,000,000 of advertising, an increase of 30 per cent. Newspaper advertising lineage increased by 12½ per cent and this would have been much greater except for the paper shortage. This extravagant advertising was one of the less defensible practices of business during war, diverting not only taxes but labor and materials.

Regulation of Wages

Ten days after the United States entered the war, representatives of labor and management promised the President that there would be no strikes or lockouts to interfere with production. It was agreed that a National War Labor Board of twelve, divided equally between labor, management, and the public, should be set up to adjust industrial disputes. At first the War Labor Board, like the Defense Mediation Board which it superseded, had no power to forbid wage adjustments on which employers and workers agreed, but intervened in dispute cases only. In the spring of 1942, however, the Board took jurisdiction over voluntary wage increases. The Board acted throughout its history (it was terminated December 21, 1945) with the purpose of preventing wage increases which would result in price inflation and a rise in the cost of living. Its authority to permit wage advances was limited in part by its own policies, but increasingly by executive orders which became ever more stringent.

The chief limitation which the Board itself set and which later became embedded in the President's orders was expressed in the so-called "Little Steel Formula." In a decision in a case involving four of the smaller steel companies decided in July, 1942, the Board set 15 per cent as the maximum for a general wage increase to compensate for the increase in the cost of living. Fifteen per cent was chosen because the Bureau of Labor Statistics reported in its official index that the cost of living had risen by that much between January 1, 1941, and May 1, 1942. The 15 per cent increase became a hard and fast ceiling on wages so far as adjustments to the cost of living were concerned. This was in spite of the fact that the cost of living continued to rise, and also the President's announced purpose to prevent inflation in other quarters was not carried out. He had declared the national intention to stabilize profits and farm prices, but without success. Income taxes curbed, but

by no means held, profits to former levels, while farmers found friends in Congress and in the administration who permitted their gains to mount.

Labor naturally felt that it was discriminated against and required to do more than its part in holding the line against inflation. It repeatedly pressed its claims for a revision of the Little Steel Formula which would permit wage rates to catch up with the advancing cost of living. The appeals and protests of labor became louder when the President gave the Economic Stabilization Director additional authority over the National War Labor Board.

In March, 1943, the AFL and CIO members of the War Labor Board presented separate petitions asking for an increase in the 15 per cent, but the Board refused, declaring that it had no authority to change the formula. Nine months later (November, 1943) the President appointed from the Board a committee on the cost of living to inquire whether an increase in wages above the 15 per cent should be allowed. At this time the official cost-of-living index showed an advance of 23.4 per cent, while the Little Steel Formula froze the cost of living wage increase at 15 per cent. In January, 1944, the AFL and CIO representatives on the President's committee issued a report in which they sought to demonstrate that the increase in the cost of living was in fact 43.5 per cent. They said, with truth, that the official cost-of-living index was misnamed. It measured changes in retail prices of certain essentials of living in the large cities of the country; it did not sufficiently measure changes in the cost of living which were brought about by war conditions. Thus, it took insufficient account of quality deterioration, of black-market prices, and of new expenses entailed by additional eating in restaurants, by traveling to distant employment, and by the disappearance of the customary special price sales. It made no allowance for recently imposed income taxes which rested heavily on wage-earners, nor did it include the item of semi-compulsory bond purchases. A special technical committee of experts upheld some of this reasoning of labor, but in the main gave its approval to the official cost-of-living index. The upshot of the controversy was that the Little Steel Formula was maintained until after victory over Japan, though labor intensified its protests. Labor's conviction that the War Labor Board, the Stabilization Director, and the President had done an injustice in the Little Steel Formula during the war had much to do with the epidemic of wage demands which occurred early in the period of reconversion to peacetime production.

In what we have said about limitation of wages under the Little Steel Formula, it must be remembered that the War Labor Board and other authorities did permit wage advances on grounds other than the increase in the cost of living. Generally, wages could be equalized as between workers in the same category and as between plants engaged in the same kind of production in the same locality. There were other minor reasons for permitting wage increases. Nor did the War Labor Board hold as rigidly to the Little Steel Formula as it claimed. While denying that it did so, it in fact granted increases to members of the United Mine Workers beyond the Little Steel Formula. This was because of the power of that union in a critical industry. Moreover, as the Board found itself under ever-growing pressure, it became lenient in giving approval to "fringe adjustments," such as additional pay for late shifts, and contributions by employers to vacation funds, which eased labor's position.

After we entered the war, wages and hours became more important as issues in industrial stoppages than union organization, though it had been the other way round before. Unions promised not to use the strike weapon, and the War Labor Board, in compensation, allowed them "maintenance of membership"; that is, union members were directed to choose, within a brief period, between remaining in the union for the duration of the war or dropping out. Unions enjoying the closed shop in industries, such as shipbuilding and aircraft to which workers were flocking, received automatically large additions to their membership. Total union membership reached about 14,000,000, though undoubtedly with a larger number than usual who felt themselves coerced into joining.

Perhaps the most controversial case testing the war powers of government with respect to labor and wages was that involving the Montgomery Ward Company. When the company would not obey orders of the War Labor Board, the government took possession of its properties, asserting that the retail merchandising business of the company was necessary to the war effort. After much litigation this contention of the government was sustained in the courts.

Stoppages of Production

With the United States engaged in a war for the preservation of democracy, every presumption was in favor of protecting the rights of workers. These included the right to organize, to negotiate for adjust-

ment of grievances, and to be exempt from governmental control in the choice of work. At the entrance of this country into the war, the great groups of union workers pledged themselves not to strike for the duration. In spite of pledges there were industrial disputes resulting in strikes and lockouts, though they did not bulk so large in man-days of idleness as before the war. On the other hand, manpower controls were progressively tightened by a variety of administrative and statutory means.

The issue was most sharply drawn in the case of wartime strikes, or, more accurately, management-labor disputes resulting in work stoppages. These stoppages, for the war years 1942–44, involved a loss on the average of only about one tenth of one per cent of available working time, a small amount when we consider the extraordinary increase in production, the shifts of workers to new occupations and localities, and the stimulus to labor organization during the period. Even in 1943, the year of four general stoppages in coal mining, the loss of available working time was only fifteen hundredths of one per cent, but these strikes, in the popular mind, heightened the danger out of proportion to the intrinsic importance of stoppages, and thus they were responsible for inducing stricter government action.

While mostly local disputes at individual mines, there were 430 strikes in 1943 in the coal-mining industry — 400 strikes involving 487,000 workers and causing 7,510,000 man-days of idleness in bituminous-coal mines, and 30 strikes involving 117,000 workers and causing 1,836,000 man-days of idleness in anthracite mines. Four industry-wide stoppages, in both bituminous and anthracite mines, were called by the United Mine Workers, with about 500,000 members outside both AFL and CIO. Over two thirds of total strike idleness in the year occurred in the coal-mining industry, though less important stoppages occurred in iron and steel, automobiles and other transportation equipment, and textile mills. About 80 per cent of all strikes lasted less than a week, most of them only one to three days, and two thirds of all the workers involved were in brief stoppages. In more than half of all strikes the most important issue was that of wages, registering the pressure of labor for increases commensurate with increased living costs.

The coal strikes deserve special attention. Employer-union contracts expired in the spring of 1943, and negotiations failed to settle the union demands, which were for a basic wage increase of two dollars per day, travel-time (or "portal-to-portal") pay in the mines, guarantee of an annual six-day work week, double time for Sunday work, increase in vacation pay, and some other issues. The cases were certified to the

National War Labor Board for settlement, but union representatives refused to participate, and, against the plea of the President, authorized a general strike May 1. Thereupon, by order of the President, the mines were taken over by the Secretary of the Interior as Solid Fuels Administrator, though the private managers were empowered to operate the mines for the government. Work was soon resumed under a "truce," but partial adjustment allowed by the War Labor Board did not include the wage increase or pay for travel-time in the mines, with the result that after the mines were turned back to their owners, a new industry-wide stoppage brought fresh seizure by the government.

The Smith-Connally anti-strike, or War Labor Disputes Act, which became effective June 25, 1943, was the direct result of the coal-mine stoppages, passed over the President's veto, and in spite of the general observance of the "no strike pledge," it was the hardest blow dealt to workers. It authorized the President to take immediate possession of any plant in which a labor dispute threatened seriously to interrupt war production and made it unlawful for workers to strike in any plant so held. Strikes in plants not in possession of the government were not outlawed, but before a strike could take place in a plant connected with the war effort, a prescribed procedure must be followed. Notice of the dispute, with designation of the issues involved, must first be filed with several government authorities. Work must then continue for thirty days (during what was commonly referred to as a "cooling-off" period), unless the dispute was settled by mutual agreement or by decision of the National War Labor Board. If differences were not composed earlier, on the thirtieth day after filing of notice the National Labor Relations Board should conduct a secret ballot among the workers to see whether a strike should be called, the ballots to contain a short statement of the issues involved and the means being taken to settle the dispute. Only in case of a favoring vote and publication of the result should a strike occur. A fine up to $5000 or imprisonment up to a year, or both, was the penalty for anyone starting or encouraging a strike in a government-possessed war plant; in other war plants strikers were made liable for resulting damages.

The law, however, went beyond war strike activity, and forbade the use of union funds in support of any candidate for federal office. This was the attempt of enemies of labor to destroy organized political participation of workers. As it turned out, however, this wholly extraneous provision of the law was circumvented by unions, which continued to make their financial contributions to what were called "educational" efforts conducted by themselves in favor of their chosen candidates.

"Spendable Income" of War Workers

From the large increase in "take-home pay" many jumped to the hasty conclusion that industrial workers were far better off as a result of the war. Those hostile to labor harped on the theme. A little thought, however, reminded that important deductions were made from nominal earnings, so that the spendable amount remaining and its purchasing power were greatly decreased. Just as the rise in pay was the result of wartime, so war conditions caused extraordinary subtractions.

Thus, for factory workers as a group, the average of gross weekly earnings rose from $26.64 to $44.86, or 68.4 per cent between January, 1941, and October, 1943. But most of this increase was illusory. First, income taxes were withheld from earnings — the "victory tax" of 5 per cent beginning in January, 1943, and, in addition, much higher income taxes beginning in July of that year. Further, the great majority of industrial workers responded to the appeal to authorize the withholding of 10 per cent of earnings for purchase of war bonds. These were savings, to be sure, but for the time being the amounts subscribed were not available for spending. In the third place, the remaining earnings in hand were reduced in purchasing power by the rise in cost of living.

Consider first what happened to the wages of a factory worker who was the sole support of an adult and two children. While his weekly wages in October, 1943, were nominally $44.86, deductions were made for taxes (social security, victory, and income) amounting to $1.73, and for war bonds $4.49, leaving $38.19. But the cost of living, by the official index, had risen since January, 1941, by 23.4 per cent. So, in October, 1943, the worker needed to spend $32.54 to buy what could have been got in the base period for the $26.37 which he then earned. The difference between these amounts, or $6.17, must also be deducted. All of these subtractions brought his spendable income down from $44.86 to $32.29. Thus, the worker with a dependent family was better off to the extent of $5.65 per week. But the $5.65 had lost part of its purchasing power because of the rise in the cost of living, and really should be stated as $4.58 in terms of January, 1941. The worker without dependents had a much higher proportion of his earnings withheld for income taxes, so that, making the same deductions and correction, he had at the end of the period only twenty-two cents more in spendable income than at the beginning.

We have spoken of factory workers generally. There were marked differences, however, in the trend of gross and net spendable earnings

in different industries. Thus, the worker in the newspaper industry increased his gross earnings — before making any deduction for taxes and bonds — by less than the rise in the cost of living, and was therefore a net loser. The same was true of rayon workers and machine-tool makers. At the other extreme, low-paid workers enjoying a sharp rise in gross earnings, as in the fertilizer industry, made substantial gains in the net amount they had to spend — in this case 62 per cent for the married worker and 40 per cent for the unmarried. Shipyard workers were often spoken of as profiting enormously from high wartime wages. As a matter of fact, the married shipyard worker made a net gain of only $4.54 a week, and the unmarried worker actually lost, in net spendable earnings, $1.34.[1] Many millions of white-collar workers, other workers in government employ, and pensioners gained nothing or suffered in income from war conditions.

While the war caused increases in earnings of industrial workers, it made apparent how powerful a stimulus to production was needed in order to counteract the preceding depression. Not only did unemployment in excess of the "frictional" minimum hang on until we had been in the war almost two years, but large numbers of industrial workers continued to be paid at wage rates too low to support families according to government standards. Seven per cent received (April, 1944) straight-time hourly earnings of less than 50 cents, 18 per cent received less than 60 cents, and 29 per cent less than 70 cents. A wage rate of at least 75 cents an hour for a 40-hour week was necessary to purchase the approved minimum family budgets, and less than half the manufacturing workers were paid at so high a scale.

President Franklin D. Roosevelt died suddenly April 12, 1945, of a brain hemorrhage while on a vacation at Warm Springs, Georgia. His duties and anxieties during twelve years in office, covering depression and world war, had overtaxed his remarkable strength. He had earned a place among the greatest of American presidents for his insight, courage, and warm humanity. He was succeeded by Vice-President Harry S. Truman, who immediately pledged himself to a continuance of Roosevelt's policies. The fact was that not only had responsibility devolved upon a new leader. A new phase was opening in national and world history, presenting problems different but perhaps not less complicated.

[1] On spendable earnings of factory workers, see the excellent article by N. Arnold Tolles, of the United States Bureau of Labor Statistics, in the *Monthly Labor Review*, vol. 58, no. 3 (March, 1944), pp. 477–89.

"Atomic Age"

Japanese resistance appeared to come to a sudden dramatic end with our dropping of atomic bombs on Hiroshima and Nagasaki and Russia's simultaneous entry into war against her in August, 1945. Before the surrender, however, Japan had been worn down as evidenced in her expulsion from the Philippines, our ever-closer approach through groups of smaller South Pacific Islands, and our conquest of Iwo and Okinawa as preliminary to invasion of the home islands themselves. Two weeks prior to surrender, as a result of semi-official radio exchanges, Japan had declared her readiness to capitulate if only the Emperor remained nominally sovereign. In fact, with the wisdom of hindsight — perhaps of foresight — it may not have been necessary to loose the cataclysmic bomb destruction, particularly the subjection of Nagasaki to Hiroshima's fate.

Our government, in co-operation with the British and Canadians, had been working intensively and on a prodigious scale on manufacture of the atomic bomb for two and a half years, and experimentally since before our entry into the war. The feasibility of atomic fission, or release of the energy of the atom, had been discovered some years before by scientists of several countries. Our accomplishment was that of completing laboratory investigations and then of constructing and operating the enormous plants necessary for actual production of bombs.

This marked an epoch in man's economic life, the advent of the energy age as outdistancing the power age and the machine age which had preceded. No sooner had the scientists achieved their aim of killing outright some 120,000 people and maiming more than they rushed to enlarge upon the blessings of their discovery when it could be turned to the arts of peace. This development, while not doubted, remained in the future. Whether the virtually inexhaustible force released from the atom could be employed in production directly in small units, or must be transmuted, in huge installations, into steam and electricity, was matter for speculation.

Manufacture of the atomic bomb had features significant for economic history. It heralded the end of scarcity, with the rivalries — individual, national, and international — which scarcity imposes. It opened such a prospect, if further used in warfare, of human self-destruction as compelled universal concentration on preserving peace. It was demonstrated that only government had the resources and could focus the means necessary for producing this major miracle. The first

bomb had cost, it was calculated, two billion dollars. The laboratory work, let alone the magnitudinous process of manufacture, was promptly taken under the direction of government, or rather of three national governments. No private industrial corporation, even the most powerful, would have been equal to the task. There was no intimation that government had not done the work of invention and production efficiently. Quite the contrary. But even had waste and bungling of government enterprise and management been charged, the accusation was irrelevant since no other than public sponsorship was physically possible.

Two other circumstances, more than incidental, were notable. The main plant for production of atomic bombs was placed in the Tennessee Valley, where the federal government had previously developed the necessary electric power. The birthplace of the hugest energy had been prepared beforehand, in a region earlier known as the most exhausted in America. Also, the process of bomb manufacture showed the ultimate lengths of division of labor. Though the workers at Oak Ridge, Tennessee, composed a new city of 45,000 people, each worked efficiently in perfect ignorance of the giant process and plan of which he was a single integrated part.

Reconversion Problems

Looking forward to victory, many plants had been constructed for "reconversion" to a peacetime economy. Many urged that since the federal government had so extended its controls during the war, public regulations should be withdrawn only gradually, particularly to prevent steep inflation such as had occurred following the First World War. The administration had been begged to secure legislation to provide against mass unemployment through extension of social security, veterans' benefits, a vast housing program, and the maximum operation of government-owned plants.

These hopes of a large section of the population including organized labor were disappointed. Congress took no such action to protect against loss of jobs. It did listen to pleas of owners of industry that corporate excess profits taxes be abolished and that corporations could claim reimbursement from their previous income taxes for losses incurred for two years following the war. Throughout the war period, business men, as represented in the Committee for Economic Development, had been demanding that peace should bring a return to "free enterprise."

They secured the support of a majority in the ranks of labor and government for turning the economy back from public authority to the forces of the market. Mindful, however, of its own failures during the depression and of how government in manifold ways rescued it, management was careful to demand that government be ready to come again to its support if private enterprise faltered and alarming unemployment reappeared.

This crusade for return to private enterprise joined with war fatigue to win the administration, now headed by President Truman, to prompt removal of economic controls following victory. Economic demobilization was begun prematurely after the conquest of Germany in April, 1945, and had to be partially rescinded. After the fall of Japan, government regulation of production, wages, and consumption was progressively removed, though the Office of Price Administration was maintained. It practically abolished rationing and was increasingly lenient in permitting price rises. The general theory of the administration was that production of peacetime goods would promptly increase to meet the accumulated demands and that by removal of controls employment would be stimulated.

While government was aware of the danger, both of deflation and of inflation, the latter seemed more serious — only a flood of goods and services could absorb potential spending and prevent runaway prices. These expectations were early disappointed. Industry did not fully respond to opportunities of peacetime production, preferring to delay until the new year when it would be relieved of excess profits taxes. Goods for which the public was clamoring were stored in warehouses instead of being offered to eager buyers. No great housing program had been projected so that veterans returned to crowded quarters or found their families homeless.

The United States Employment Service, which should have been retained in national hands in order to find widely scattered jobs for eight million displaced war workers, was unfortunately turned back to management of the individual states which had limited authority and information.

Workers in essential mass-production industries, notably automobiles and steel, threatened to strike for wage advances to compensate for the loss of wartime "take-home pay." President Truman, fearing that these stoppages would bring about loss of output and a disastrous rise in prices, called a management-labor conference. Representatives of both sides were urged to devise a plan for preserving peace in industry certain

to cover the reconversion period. The conference exposed a difference in policies of the AFL, and the CIO contended that America's productive capacity and efficiency permitted a general increase in wages with no increase in prices. This was also the belief of the President and others in the administration. Furthermore, workers had a right to demand that a part of high profits be given in wages. The AFL declined to make wage increases contingent on holding prices or sharing in profits.

After more than a month, the management-labor conference adjourned without sufficient result. The President thereupon demanded of Congress an act to promote industrial peace. The method was to forbid strikes or lockouts during a period of thirty days in order to permit a public fact-finding commission to discover and publish the issues in the dispute together with a recommendation for settlement. While Congress delayed action, nation-wide strikes occurred in the automobile, electrical, coal-mining, telephone and telegraph, and meat-packing industries.

Under pressure of organized big business, remaining wartime and reconversion economic controls were released beginning with the summer of 1946. The contention was that shortages, particularly of consumer goods, would thus be overcome, with only a temporary advance in prices. OPA was suspended in June, was revived in emasculated form in August, and thereafter its authority, except over sugar and rents, was abandoned piecemeal. The result was a sudden and steep rise in the cost of living and in prices generally, provoking profound fears of inflation. The index of wholesale prices (1926 = 100) was 112 in June, 1946, and had risen to 140 by December, 1946. The index of the cost of living was 133.3 in June and was up to 153 in December. The course of prices repeated the history after the First World War, the swiftest increase following the end of hostilities.

The demand for liquidation of government economic controls was associated with a sweeping Republican victory in the Congressional elections in November, 1946. The Republicans secured 246 seats in the House (Democrats 188) and 51 in the Senate (Democrats 45), giving them unquestioned control in both branches. Twenty-five states had Republican governors.

When the Republican Congress assembled in January, 1947, it promptly set about devising curbs on organized labor. These were intended to prevent strikes in industries important to the whole economy, and to enlarge the liberties of employers under the National Labor Relations Act. This demand was sharpened by a strike of bituminous miners

in November–December, 1946, when coal was critically needed for winter heating and for the supply of industry. The mines were technically still in possession of the government. This was the basis of a federal injunction against John L. Lewis, president, and the United Mine Workers. When they disregarded the restraining order of the district court, they were heavily fined for contempt. All unions were alarmed by this unexpected revival of the injunction as a weapon against labor action. It was feared that a strike could at any time be outlawed by government temporarily taking possession of a national industry. The Supreme Court upheld the injunction, though the fine on the United Mine Workers was reduced to $700,000 when the strike was called off and the union acknowledged the continuance of the contract.

The so-called Full Production-Full Employment Act of 1946 was the result of a deep desire of most segments of the people for national economic foresight and planning to avoid the familiar business cycle of "boom and bust." Under this law the federal government assumed more responsibility for maintaining economic stability than had been acknowledged before. A Council of Economic Advisors was created to conduct continuous study and to recommend to the President, and through him to the Congress, when spending on public projects seemed necessary to take up threatened slack in private employment. The first reports of the Council were reassuring for the remainder of the period of return to a civilian economy.

After contest between several localities, the permanent seat of the United Nations was placed in New York City. John D. Rockefeller, Jr., presented to the United Nations a site embracing six city blocks on the East River in Manhattan. America's metropolis thus became the international capital; this dramatized the responsibility of this country to unite in promoting world welfare.

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